Memorial University

Integrated Planning Committee (IPC)

Operating Budget Report

April 2019

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1. Introduction and Scope

In the seven-year period from 2012-13 to 2018-19, Memorial University has faced operating budget cuts of $30.4 million (which includes $6.0 million in salary cost reduction resulting from the government-mandated Attrition Plan from 2016-17 to 2018-19). In addition, deferred maintenance funding has been reduced from $10.0 million to $0. This decline has had a significant impact on all areas of the institution and required that the University consider its future viability, while focusing much of its attention on cuts to spending and identifying efficiencies.

In response to this need, in 2016, the University established the Integrated Planning Committee (IPC). Chaired by the provost and vice-president (academic) and comprising management, faculty, staff, and students, IPC advises the president on operating budget matters. For more information on the committee, visit https://www.mun.ca/vpacademic/What_We_Do/IPC/.

This is the second annual budget recommendations report of the committee. The scope of the report is the operating budget of the University with the exception of the Faculty of Medicine, which receives its operating grant from the Department of Health and Community Services.

In making these recommendations, the committee is guided by the principles and priorities identified through the consultation process:

Guiding principles

- Protect the quality and integrity of programs
- Maintain Memorial's special obligation to the province
- Maintain academic comprehensiveness
- Maintain enrolment and program quality
- Ensure access to programs
- Maintain high quality student experience

Institutional priorities include:

- Academic experience (student support, wellness, advising)
- Infrastructure and technology renewal
- Increased efficiency (reduce duplication, align processes, outsourcing)
- Faculty and staff wellness and renewal
- The Library collection
- Graduate fellowships
- Advocacy
- Revenue
- Research
- Indigenization

2. Budgeting at Memorial

This document focuses on the ***Operating Budget***, which is concerned with the core activities of the University, funded primarily by tuition and the provincial grant. In addition to its operating revenue, Memorial University generates revenue from other activities such as research, fundraising, and ancillary enterprises (e.g., bookstore, student residences). These funds are often restricted in nature (i.e. conditions are attached for expenditures that the University is obligated to follow). Total University revenue received for 2017-18 was $619 million[1].

2.1 Factors that Have an Impact on the Operating Budget

By legislation, the University is required to maintain a balanced budget so that expenditures match revenues. Balancing the budget requires carefully assessing changes in revenue (grant, tuition, etc.) and expenditures (salaries, materials and supplies, travel, etc.). The term “budget gap” is defined as the difference between projected revenues and projected operating expenses for a given year.

REVENUE FACTORS

Unlike almost all universities in Canada, Memorial University receives most of its operating budget directly from the Government of Newfoundland and Labrador. Government-mandated tuition reductions and freezes in place since 2004-05 have increased the dependence on the Provincial grant.

Government Funding

The provincial government provides funding towards the annual costs of operating the University (operating grant) and periodically to fund capital projects related to the physical infrastructure of the University (capital grant).

- Operating Grant

  Because of its dependence on the provincial grant, the University is much more directly affected by grant reductions than other universities. After successive years of budget reductions, the provincial grant currently constitutes 83.9% of the University operating budget compared with 88.5% in 2014-15 (See appendix A).

- Capital Grant

  Since 2015-16, the government no longer provides a capital grant for deferred maintenance and teaching equipment. In 2017-18, the University introduced a Campus Renewal Fee to all students to generate revenue in lieu of grant funding. In the interim, the University diverted $15 million of operating funding to support critical, deferred maintenance projects. Deferred maintenance refers to the practice of postponing expenditures on facilities maintenance, resulting in a deterioration of the facility’s physical condition.

  The current condition of the physical infrastructure requires annual funding of over $24 million to maintain the current deferred maintenance deficit of $484 million, a figure that grows

[1] See the audited consolidated financial statements for a complete breakdown of revenues and expenditures along all types of funds, restricted and unrestricted.
http://www.mun.ca/finance/financial_statements/MUN_Financial_Statements_Mar_31_2018.pdf

annually. In the absence of funding from the provincial government, the University must seek alternative solutions to this problem.

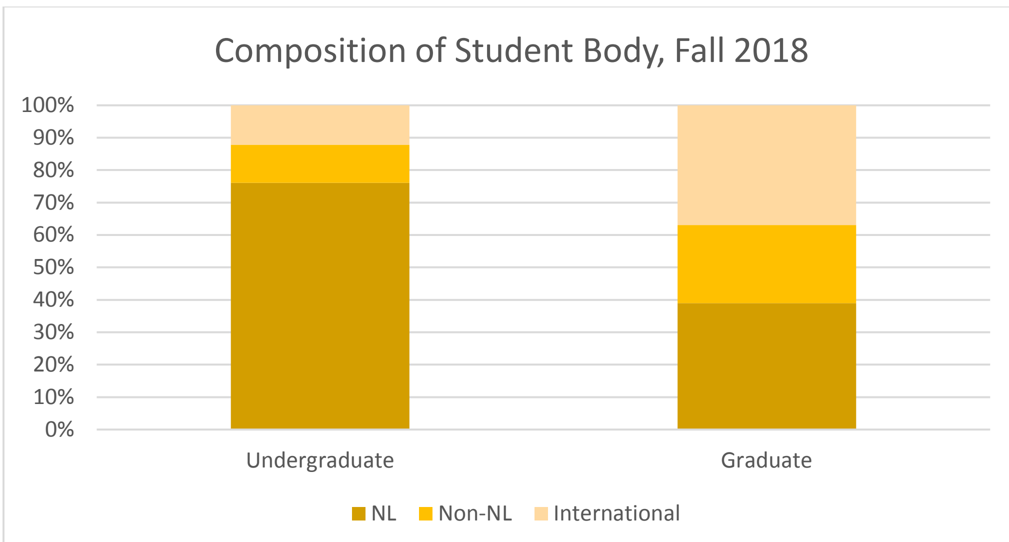
Tuition Revenue

Annual tuition revenue is driven by a combination of enrolment and tuition rates, as tuition rates vary depending on where the students are from, their level of study, and program. Because tuition rates are low, enrolment changes do not have as much of an impact on revenue as they do at other universities.

- <u>Enrolment Patterns</u>

  While overall enrolment remains stable, the composition of the student population has changed substantially over the past 10 years:

  - The graduate student population has increased by 59% since 2008, representing 21% of the total population, compared with 13.6% in 2008.
  - The international student population has steadily increased from 6% of the total student population in 2008 to 18% in 2018.



  For a more detailed overview of enrolment at Memorial, see Appendix B.

- <u>Tuition Rates</u>

  Tuition rates across all levels and residency codes remain low relative to the rest of Canada (see Appendix C for comparative tuition levels). With the recent increases in tuition rates for different segments of the student population (see Appendix D), tuition rates vary depending on a student's level, origin (NL, Canadian – Non-NL, and International), graduate payment schedule, and grand-parenting status (for current students to whom the recent 30% increase does not apply) (see Appendix E for Memorial's current tuition rates).

  Compared to other Canadian universities, Memorial makes limited use of differential tuition by program, even when program costs of delivery vary substantially (e.g., MBA students pay the same amount as Master of Arts students). However, special fees are assessed for new graduate programs in cases where appropriate for cost recovery. There are no differential fees for undergraduate programs.

- Other Student Fees

  In 2017, two new special fees were approved that support investments in physical and technological infrastructure (Campus Renewal Fee) and student support (Student Services Fee).

Other Operating Revenue Sources

- Interest Income

  University cash flows are invested on a short-term basis to generate income that supports the operating budget. The revenue generated varies depending on the amount of operating cash in the bank and the interest rates earned. Compared with other universities, Memorial generates very little operating funding from investment activities.

- Federal Indirect Costs of Research Funding

  The University receives a federal grant to help defray the indirect costs associated with managing its research activities. The Research Support Fund is based on the University's proportion of total national Tri-Agency funding, as well as overhead costs built into individual research contracts. The Research Support Fund has been relatively stable at approximately $4 million per year. In general, as Memorial's research funding increases, its federal grant also increases.

- Departmental Revenues

  Departmental revenues are generated by the unit and for some units can represent a significant source of revenue that partially offsets operating budget expenditures. Examples include: industrial outreach, research overhead income from grants and contracts, special fees, application fees, administrative service fees, entrepreneurial activities, and special grants. The University was significantly affected by the closure of the provincial Research Development Corporation (RDC) in 2017. The RDC was a crown corporation of the Government of Newfoundland and Labrador which provided research, faculty start-up, and fellowships funding to stimulate research in the province.

EXPENDITURES FACTORS

Size, Complexity, and Condition of Physical Plant

As the only university in the province, Memorial has a large number of academic and administrative units distributed in buildings across multiple campuses and locations. The large physical footprint results in high costs for maintenance (including deferred), security, heating, lighting, snow-clearing, etc. Increased research activities and changing technologies require significant investments to maintain facilities conditions, safety compliance, and suitability for a 21st century institution.

Enrolments and Scope of Programming

Memorial's pan-provincial mandate results in a broad scope of academic programming. As the only university in the province, the scope of programming must be sufficient to serve the needs of learners across the province, as far as resources allow. If a program is not offered at Memorial, students have to leave the province to pursue it. The long-standing commitment to comprehensiveness has a direct impact on instructional costs, the number of courses offered, and administrative infrastructure.

Employee Salaries and Benefits

Salaries and benefits costs continue to remain the most significant component of University costs, representing about 85% of the operating budget. Government provides an incremental budget for collective agreement general wage increases. Annual step increases for employees are now funded by the University.[2]

Pension Payments

At the writing of this report, negotiations with unions and the provincial government continue to develop a solution to the outstanding pension liability. Early estimates have calculated the annual payment, the direct cost to Memorial University, at $8.0 million per year.

Inflation and Unfunded Cost Increases

The University incurs inflation on unavoidable costs such as energy, insurance, snow clearing, municipal grants and taxes, maintenance contracts, and IT software and hardware systems. These increased annual expenses require reallocation of budget funding. In the absence of increasing budget revenues, base-budget reductions to all units are necessary.

2.2 Operating Revenue and Expenditures

The sources of operating revenue include government grants, tuition revenue, student fees, and investment income.

Table 1 provides a four-year revenue history for the University. The provincial grant represents the most significant portion of operating revenue (83.8%), with tuition and fees representing about 14.8% of total operating revenues (from 88.2% and 10.5%, respectively in 2014-15).

[2] Prior to 2014-15, step increases were partially funded by the provincial government.

Table 1: 5-year Budget History (2014-15 to 2018-19) - Revenue by Source (in 000s)

Revenue Source	2014-15	2015-16	2016-17	2017-18	2018-19	Change
Provincial Government - Operating	338,819	318,255	318,705	315,092	309,960	(28,859)
Provincial Government – Capital	11,800	2,400	2,400	2,400	2,400	(9,400)
Tuition Revenue	40,177	40,397	42,110	43,177	45,285	5,108
Student Fees - Infrastructure Fee	0	0	0	4,789	7,081	7,081
Student Fees - Student Services Fee	0	0	0	1,521	2,249	2,249
Federal - Research Support Fund	4,094	4,144	4,100	4,312	4,269	175
Operating Interest Income	1,200	1,200	1,200	1,000	1,000	(200)
Total	396,090	366,396	368,515	372,291	372,244	(23,846)

As shown in Table 1, the provincial portion of the grant has seen the greatest change, with an overall reduction of $28.9 million for operating and $9.4 million for capital, which has partially been mitigated by increased tuition and student fees.[3] In 2017-18, the introduction of the Campus Renewal Fee and the Student Services Fee provided $7.1 million and $2.2 million [4] respectively, resulting in a total of $9.3 million in revenue to support infrastructure and student success.

Table 2 breaks down the year-over-year change to the provincial operating grant from 2015-16 to 2018-19.

Table 2: 5-Year Summary of Annual Changes to the Provincial Grant from 2014-15 (in 000s)

Description	2015-16	2016-17	2017-18	2018-19	Cumulative from 2015-16
Salaries & Benefits - Template	9,086	3,550	1,587	0	14,223
Salaries & Benefits - Attrition	0	(3,000)	0	(3,000)	(6,000)
Pension Special Payment	(20,950)	0	0	0	(20,950)
Grant-in-Aid of Tuition Freeze	0	8,000	4,000	4,000	16,000
Strategic Initiatives	0	1,000	0	0	1,000
Grant Reductions	(8,700)	(9,100)	(9,200)	(6,132)	(33,132)
Capital - Deferred Maintenance	(8,400)	0	0	0	(8,400)
Capital - Teaching Equipment	(1,000)	0	0	0	(1,000)
Total	**(29,964)**	**450**	**(3,613)**	**(5,132)**	**(38,259)**

[3] The Federal Grant refers to the Indirect Costs of Research. The three research granting councils provide funding to Universities to (partially) cover the indirect costs associated with conducting research (expenditures not covered by specific grants). The allocation is calculated based on research revenue awarded.

[4] Revenue is 2017-18 from these fees was $6.3 million as the fees were collected in the Fall and Winter semesters only.

While the grant-in-aid to freeze tuition has increased by $16 million over the past four years, it has been counteracted by grant reductions of $33 million, a pension plan funding reduction of $21 million, and a capital budget reduction of $9.4 million. This amounts to more than $63 million in cuts. Detailed information regarding the provincial government grant history can be found in Appendix A.

OPERATING EXPENDITURES

The majority (84.6%) of budgeted operating expenditures at Memorial in 2018-19 were directed towards salary and benefits, with a further 8% going towards maintaining the infrastructure (capital, energy, insurance, etc.). The proportion of operating expenditures directed towards salary and benefits is comparable to the proportion at other Canadian universities. The majority of the infrastructure maintenance budget is fixed. As a result, short-term budget reduction initiatives must be achieved through the salaries and benefits portion (82.8%) of expenditures.

2.3 Capital Revenues and Expenditures

Historically, the Government of Newfoundland and Labrador has provided $9.4 million in capital funding (e.g., deferred maintenance and teaching equipment). This annual budget was reduced to $0 in 2015-16.

Table 3: Capital Budget since 2014-15 by Source (in 000s)

Revenue Source	2014-15	2015-16	2016-17	2017-18	2018-19	Change
Provincial Government - Deferred Maintenance	8,400	0	0	0	0	(8,400)
Provincial Government - Teaching Equipment	1,000	0	0	0	0	(1,000)
Provincial Government - White Paper Matching	2,400	2,400	2,400	2,400	2,400	0
Allocate from Operating Budget - Grant-in-Aid	4,000	4,000	8,000	8,000	8,000	4,000
Allocate from Operating Budget - Infrastructure	0	0	1,200	1,604	1,627	1,627
Student Fees - Campus Renewal Fee	0	0	0	4,789	7,081	7,081
Total	**15,800**	**6,400**	**11,600**	**16,793**	**19,108**	**3,308**

With the elimination of provincial funding for deferred maintenance and teaching equipment in 2014-15, a portion of the operating budget has been transferred to the capital budget to fund critical deferred maintenance and capital projects. As can be seen in Table 3, the majority of the budget has come from the Grant-in-Aid of tuition increases. The long term use of this $8.0 million annual budget and the $2.4 White Paper Matching funding is linked to the annual debt payment for the Core Science Facility.

3. Preliminary Budget Gap

The gap is based on the best information that is available and is adjusted continually as new information emerges.

3.1 Preliminary 2019-20 Budget Gap

Memorial's current projected total budget gap for 2019-20 stands at **$11.4 million**, which includes an estimated $8 million of the increased costs associated with addressing an unfunded liability in Memorial's pension plan.

The 2019-20 budget gap is a result of changes in expected revenues and expenditures over the previous year. Budget revenues are expected to increase by $24,850:

Table 4: Changes in Budget Revenues 2019-20

Revenue Source ($)	Adjustment
Provincial Grant - Grant in Aid of Tuition	4,000,000
Provincial Grant - General Reduction	(5,605,610)
Tuition - Non-NL Students[5]	1,630,460
Total Revenue Adjustments	**24,850**

Budgeted expenditures due to inflationary pressures are expected to grow by $3.4 million:

Table 5: Changes in Budget Expenditures 2019-20

Expenditure ($)	Adjustment
Pension Plan	8,000,000
Inflation	3,396,896
Total Expenditures Adjustments	**11,396,838**

Because the precise impact of the pension liability is unknown at this time and will need to be evaluated, recommendations in this document will focus on the remaining budget gap. Once the pension evaluation has been completed and the annual pension liability is finalized, the University will determine how budgets will be affected. It is clear that an additional cut of $8 million to the University budget would have a profound impact on the mission of the University and would require revisiting the core guiding principles identified through the consultation process and potentially significant cuts to academic programs.

3.2 Preliminary 3-Year Fiscal Projection

A 3-year budget forecast for the University has been prepared and is currently projecting a $13.4 million annual budget deficit by 2021-22. The $6.0 million annual salary savings from the 2018-19 Voluntary Retirement Program will be realized in Budget 2020-21 after the one-time program costs have been fully repaid. Projected increases in tuition revenue take in to account the 30% non-Newfoundland and

[5] 30% Non-NL student tuition increase was approved in Budget 2017-18 with implementation in 2018-19. Current students were grand-parented at NL student rates until Fall 2021. This additional tuition revenue has already been committed against government budget reductions.

Labrador undergraduate tuition rate increase implemented in the 2018-19 budget. Increases in expenditures over the three-year period relate to inflationary pressure on current unavoidable costs, such as employer-paid benefits, energy, insurance, and maintenance contracts. The annual pension liability amount of $8.0 million is also factored into the annual deficit. An annual budget of $4.0 million for the operating costs of the Core Science Facility has been factored into the forecast, effective September 2020. The inflationary amounts are subject to change as they are based on the best information that is available and will be adjusted continually as new information emerges for each budget year.

Table 6
MUN Budget 2019-20 (excluding Faculty of Medicine)
3 Year Operational Budget Forecast

	2018-19 Budget	Adjustments	2019-20 Budget	Adjustments	2020-21 Budget	Adjustments	2021-22 Budget
BUDGET REVENUE							
Provincial Government - Operating Grant	309,960,300	(1,605,610)	308,354,690	0	308,354,690	0	308,354,690
Provincial Government - Capital Grant	2,400,000	0	2,400,000	0	2,400,000	0	2,400,000
Federal Government	4,268,775	0	4,268,775	0	4,268,775	0	4,268,775
Student Tuition	45,285,015	1,630,460	46,915,475	1,355,000	48,270,475	1,200,000	49,470,475
Student Fees Campus Renewal Fee	7,080,650	0	7,080,650	0	7,080,650	0	7,080,650
Student Fees Student Services Fee	2,249,250	0	2,249,250	0	2,249,250	0	2,249,250
Other Income	1,000,000	0	1,000,000	0	1,000,000	0	1,000,000
TOTAL BUDGET REVENUE	**372,243,990**	**24,850**	**372,268,840**	**1,355,000**	**373,623,840**	**1,200,000**	**374,823,840**
BUDGET EXPENSES							
Salaries & Benefits							
Salaries [1]	247,143,339	0	247,143,339	(6,000,000)	241,143,339	0	241,143,339
Benefits	56,452,046	500,000	56,952,046	500,000	57,452,046	500,000	57,952,046
Pension Fund Payment	0	8,000,000	8,000,000	0	8,000,000	0	8,000,000
Student Assistants	2,424,428	0	2,424,428	0	2,424,428	0	2,424,428
Fellowships	9,700,000	0	9,700,000	0	9,700,000	0	9,700,000
Fellowships - Departmental	2,341,225	0	2,341,225	0	2,341,225	0	2,341,225
Salaries & Benefits Total	**318,061,038**	**8,500,000**	**326,561,038**	**(5,500,000)**	**321,061,038**	**500,000**	**321,561,038**
General Operating							
Energy	10,884,200	870,700	11,754,900	940,400	12,695,300	1,015,600	13,710,900
Library Holdings	8,300,822	0	8,300,822	0	8,300,822	0	8,300,822
Water Grant/Municipal Taxes	1,375,785	71,500	1,447,285	71,500	1,518,785	71,500	1,590,285
Insurance	1,934,385	137,500	2,071,885	151,250	2,223,135	166,075	2,389,210
Maintenance Contracts	2,498,172	249,800	2,747,972	274,800	3,022,772	302,300	3,325,072
Snow Clearing	1,332,400	120,000	1,452,400	120,000	1,572,400	120,000	1,692,400
Software Contracts	2,218,937	221,900	2,440,837	244,100	2,684,937	268,500	2,953,437
Queen's College Debt Payment	29,192	(29,192)	0	0	0	0	0
Other Costs (Net of Transfers)	3,942,209	399,260	4,341,469	0	4,341,469	0	4,341,469
Entrance Scholarships	1,050,000	0	1,050,000	0	1,050,000	0	1,050,000
Operating Grants/HST	1,941,600	0	1,941,600	0	1,941,600	0	1,941,600
Student Services Fee Programs	2,249,250	0	2,249,250	0	2,249,250	0	2,249,250
Core Science - Operating	0	0	0	2,300,000	2,300,000	1,700,000	4,000,000
Budget Deficit	(2,681,550)	855,370	(1,826,180)	1,826,180	0	0	0
General Operating Total	**35,075,402**	**2,896,838**	**37,972,240**	**5,928,230**	**43,900,470**	**3,643,975**	**47,544,445**
Capital Expenditures from Operating							
White Paper Matching	2,400,000	0	2,400,000	0	2,400,000	0	2,400,000
Core Science Facility	8,000,000	0	8,000,000	0	8,000,000	0	8,000,000
Infrastructure	1,626,900	0	1,626,900	0	1,626,900	0	1,626,900
Campus Renewal	7,080,650	0	7,080,650	0	7,080,650	0	7,080,650
Deferred Maintenance	0	0	0	0	0	0	0
Capital Total	**19,107,550**	**0**	**19,107,550**	**0**	**19,107,550**	**0**	**19,107,550**
TOTAL BUDGET EXPENSES	**372,243,990**	**11,396,838**	**383,640,828**	**428,230**	**384,069,058**	**4,143,975**	**388,213,033**
BUDGET GAP	**0**	**(11,371,988)**	**(11,371,988)**	**926,770**	**(10,445,218)**	**(2,943,975)**	**(13,389,193)**

1. Collective Agreement increases not included.

4. Strategic Issues

4.1 Infrastructure

Infrastructure and deferred maintenance continue to reside at the top of the budget priority list at Memorial, directly affecting all faculty, staff, students, and the public at large.

Memorial's multiple campuses constitute more than 100 buildings (or more than 4.1 million square feet of floor space), with over half of the space at least 35 years old. Some of the older buildings require extensive work to major components, such as roofs, walls, windows, mechanical systems, and electrical systems. The facilities condition index (FCI) evaluates the current condition of physical infrastructure. The target at Memorial is 12% (Good to Fair Condition). Currently, the University reports an FCI of 28%, suggesting that the University's building components and infrastructure systems will begin to fail, undermining teaching, research, and engagement at Memorial. As of November 2018, the accumulated deferred maintenance liability is nearly half a billion dollars. A total of $24 million is required per year to maintain facilities at the 28% FCI level. This difference is not reflected in Table 5 and would increase the budget gap by $17 million.

In 2015-16, the $8.4 million provincial government grant dedicated to deferred maintenance was eliminated, forcing the University to divert operating funds from other institutional priorities in order to fund critical deferred maintenance. In 2017, the Board of Regents approved an annual $500 Campus Renewal Fee for all students. Although all revenue from the new fee is directed to fund physical and technological infrastructure, the amount ($6-7 million) is well below the $24 million per year required to maintain Memorial's infrastructure at the current 28% FCI level.

At this time, the University is assessing other opportunities to mitigate risks posed by aging infrastructure, such as investing in new buildings, improving space use, or demolishing facilities that have surpassed their design life (for example, as one of the oldest buildings on campus, the Science Building has reached a deferred maintenance liability of $32.6 million). However, the University has reached a critical point where deferred maintenance must be addressed to prevent further deterioration and risk.

4.2 Tuition and Revenue Generation

In light of declining public funding for the University, strengthening and diversifying Memorial's revenue base is imperative to maintain its reputation as an internationally-ranked university and to honour its obligation to the people of the province. Increased entrepreneurial activity and greater funding of the indirect costs of research can help to address the financial challenges facing the University, but are insufficient to address the funding shortfall. Tuition rate increases can mitigate lost grant revenue and reduce Memorial's dependence on government funding, while bringing rates to a reasonable, competitive level.

In fall 2018, tuition rates for non-residents of Newfoundland and Labrador increased for new students by 30%. Current non-Newfoundland and Labrador students are grand-parented at the current rates until fall 2021. Memorial's tuition rates continue to be much lower than those found in the rest of the country, and, in light of the reductions to Memorial's operating and capital grants, the current freeze on tuition, particularly for Newfoundland and Labrador students, continues to be unsustainable. However, any discussions on tuition increases must recognize the commitments already made to these students; thus, significant revenue generation may not be possible until the grand-parenting period has ended.

With an enrolment base of 18,000 students, even modest increases in tuition rates can have a dramatic impact on institutional revenues, mitigating lost grant revenue and reducing the dependence on the provincial allocation. The committee believes that students from higher income families can manage a reasonable fee increase. While financial factors do not constitute the only barrier to student post-secondary access, they are important, particularly for students from economically marginalized groups.

In a model where such individuals (often representing racialized groups and otherwise marginalized communities) must pay the same as the most economically affluent, equity is a serious issue. While student loans and education tax credits are two vehicles used to publicly fund post-secondary access, there is little evidence that either demonstrably improve accessibility for the most vulnerable[6]. A needs-based tuition structure would help serve our commitment to principles of equity and access. Increases to tuition rates should not have an impact on student access if they are accompanied by the development of a progressive post-secondary education funding model in which increased needs-based student aid is made available to students. This is a public policy decision into which the University would have to provide input.

For graduate students, tuition rate increases in thesis-based programs require increases to fellowship support funding, with little net revenue to address the budget gap. However, professional graduate programs across the country are increasingly charging differential program fees that reflect the high earnings potential of graduates. At Memorial, several such programs were introduced with a special fee; however, no differential tuition has been approved for existing programs, even when the program fee is well below national standards (e.g., the Master of Business Administration).

The absence of regular inflation-based increases results in intermittent "shocks" of substantial tuition rate increases that can create accessibility and cash flow issues for students and enrolment declines for the institution. To avoid this, most institutions build in regular annual tuition rate increases.

4.3 Student Success

Despite the fiscal challenges currently facing Memorial University, student success remains a core strategic priority. It is paramount to the success of the University to ensure students have an exceptional experience at Memorial, develop academically, acquire skills to prepare them for their future career paths, and are able to complete their studies in a timely fashion, all whilst the University maintains strong enrolment across its programs. Memorial must continue to assess the evolving needs of students, identify student barriers, innovate, and implement strategies to support continued student success.

The Student Services Fee, introduced in fall 2017, has allowed Memorial to fund new initiatives specifically targeting student success, in the areas of health and wellness, advocacy and support, student employment, and professional skills development and career advising. However, it was clear during multi-campus budget consultation sessions that increased tuition rates at Memorial would have a negative impact on students' success and create barriers to success for some students. We heard shared

[6] See Higher Education Strategy Associates "Targeted Free Tuition: A global analysis" and "State of Higher Education in Canada" at http://www.higheredstrategy.com.

concerns, such as stress, increasing costs of living, the need to work while attending university, access to student financial aid, increased financial burden on international students, etc. It is evident that a tuition rate increase would affect some segments of the student population more than others, particularly marginalized groups, students from lower socio-economic backgrounds, and international students.

It is therefore important that, as the University contemplates increases to tuition, commitments to supporting those students affected by increased tuition rates are considered. Funds should be dedicated to help mitigate barriers and ensure that Memorial remains accessible, particularly to the people of Newfoundland and Labrador. Memorial University is committed to working with the Provincial Government to establish an equitable, progressive tuition model that enhances accessibility to Memorial University for our future students.

4.4 Academic Program Development and Renewal

Program development and renewal is vital to the success of any 21st century post-secondary education institution. For universities to remain competitive, they must continually evaluate the relevance of their academic programming, and ensure programs meet the needs of learners, while being mindful of labour-market demands and trends.

As academic units face budget reductions and, potentially, a reduction in faculty complement and administrative supports and services, program development and renewal is compromised, which can affect the University's reputation and ability to attract new students, faculty and staff, whose contributions in turn affect the institution's ability to innovate and contribute to the advancement of society.

Compounding the issue are the University's low tuition rates, which make it difficult to introduce new programs, particularly in the absence of the ability to redirect existing funding.

Furthermore, Memorial does not have a tuition revenue attribution mechanism to direct new revenues to units undertaking innovative program developments or renewals, giving units little incentive for engaging in such work.

4.5 Administrative Support

Over the past number of years, the University has eliminated more than 145 staff positions through attrition, budget-reduction actions, and the Voluntary Retirement Program. While this elimination has helped manage the budget reduction, the decline in staff complement has an impact in the level and quality of services provided by staff in support of faculty and academic programs, research, student services, legislative compliance, and operations, among others. Loss of institutional knowledge and increased workload and uncertainty can lead to burnout and low morale among staff remaining. Throughout consultations we heard concerns from staff regarding increased stress, tension, low morale, and staff retention associated with the current work environment.

Currently, Memorial does not have access to institution-wide data to formally assess how staff feel about their current work environment or regarding what could be done differently to improve the work environment as the University navigates a challenging fiscal period.

5. Recommendations for the Operating Budget Plan

The two primary challenges facing the University are the deteriorating condition of the physical plant and the declining revenue base. The major recommendations of this report focus directly on these issues. Of particular importance is increasing tuition revenue to support investments in the physical infrastructure.

The committee has categorized its recommendations as follows:

1. Specific recommendations arising from strategic issues.
2. Additional recommendations carried forward from the 2018 Operating Budget Report that remain relevant and aim to have an impact on the institution by making systemic and cultural changes to the way the University operates.

5.1 Recommendations Arising from Strategic Issues

Recommendation 1: Increase the deferred maintenance budget to a level that is sustainable.

The capital maintenance budget should be increased from $6-7 million to $24 million over a three-year period, preventing further deterioration of facilities for all units, but not reducing the accumulated liability. This increase is contingent on being able to generate revenue through a tuition fee increase. Funding deferred maintenance in the absence of new revenue would increase the budget gap by $17 million. Increasing the deferred maintenance budget should be parallel to an ongoing commitment to revitalize space through new construction and demolition of end-of-life spaces. The budget increase can be phased in incrementally over the next three years with $4.0 million added in 2019-20, $6.0 million in 2020-21, and $7.0 million in 2021-22.

Recommendation 2: Increase undergraduate tuition revenue

Undergraduate tuition rates should increase to generate funding to support facilities renewal and other priorities. Principally, the tuition freeze for Newfoundland and Labrador students should be discontinued and the tuition differential for non-NL Canadian students should be discontinued.

In light of the commitment made to grand-parent students at current rates to allow them time to complete their programs before the 30% tuition increase came into effect, it is recommended that a new, harmonized undergraduate tuition rate schedule be implemented in Fall 2021 that sees a common undergraduate rate for all Canadian students, irrespective of province of residence. At that time, tuition for Canadian students should be set at between $350-$400 per course and $1,200 and $1,300 per course for international students. (See Appendix F for projected 2021 tuition rates in comparison to other institutions).

Recommendation 3: Allocate funds to support a progressive funding model

Funding should be identified to support those students most affected by tuition rate increases. Because Memorial does not have the resources to assess individual financial need, the provincial government should be engaged to return the grant-in-aid funding in order to fund a progressive post-secondary education funding model. Allocation of the grant-in-aid to the provincial Student Aid budget is the most efficient method of implementing a progressive student funding scheme. Because this is a public policy decision, the University should continue to engage the Department of Advanced Education, Skills and

Labour in developing a post-secondary education funding model that funds the University at an appropriately level while maintaining access for those most disadvantaged by a tuition rate increase. In developing this model, the province should look to innovative targeted free tuition programs that have been developed in Ontario, New Brunswick, through the United States and elsewhere.

Recommendation 4: Increase budget for student funding initiatives: MUCEP, ISWEP, Fellowships, Bursaries

Because not all Memorial students are eligible for provincial student aid, additional resources should be directed to support student funding programs within the University if tuition rates are increased.

Recommendation 5: Establish a tuition policy that builds in an annual inflationary factor tied to the Consumer Price Index.

Memorial should set predictable annual inflationary increases of at least 3% for all student tuition rate (graduate and undergraduate), beginning in fall 2020. This will generate approximately $1.5 million each year to allow the University to manage inflationary pressures.

Recommendation 6: Develop a tuition policy that encourages the development of differential tuition for professional programs.

The University should develop a process for approving special rates for existing undergraduate and graduate programs where the market allows it. A portion of the increased revenue should support program development and enhancements, and a portion should flow to general University revenues to support general operations.

Recommendation 7: Consider tuition-based budget allocation models

A working group should be established to develop a tuition allocation model that encourages program development, renewal, and interdisciplinary collaboration.

Recommendation 8: Support for the Indigenization Strategy

The committee recognizes the importance of the Indigenization Strategy currently in development and recommends that the University allocate an appropriate level of funding to support the successful achievement of its goals and objectives.

Recommendation 9: Addressing the 2019-20 Budget Gap

The committee recognizes the significant fiscal challenges facing the University over the next two years before the savings from the Voluntary Retirement Program can be realized and significant revenue generation could potentially be achieved. In light of this, the committee recommends that Vice-Presidents Council (VPC) consider the priorities identified through the University consultations and noted in the introduction when determining how the cuts should be allocated across the University.

Recommendation 10: Survey of administrative staff

Memorial remains committed to administrative staff at the University and recognizes the challenges that have surfaced in light of budgetary constraints, and in particular, decreases in staff positions. The IPC recommends that the University undertake a survey of staff to formally assess work environment;

implications of staffing reduction on morale; service to students, faculty, and academic programming; and opportunities for improvement to staff support.

5.2 Recommendations Carried Forward from 2018-19

Recommendation 11: Accountability

The committee recommends that at the end of the year, units should report to Vice-Presidents Council on how they achieved their cost reductions. The University should be transparent and make this information widely available, while ensuring that the privacy of individuals is respected. Additionally, the distribution of funds and outcomes resulting from recommendations 1 to 7 above should be communicated to the University community and remain transparent.

Recommendation 12: Review of commitments to separately-incorporated entities (SIEs)

The University has relationships with several separately-incorporated entities, which may have a direct or indirect cost to the Institution. These costs should be reviewed to assess their sustainability.

Recommendation 13: Administrative efficiency

The committee recommends that the University conduct an ongoing review of administrative structures and processes to identify efficiencies and opportunities for collaboration. Part of that review should be to determine how the University can make the best use of technology to automate and/or streamline processes where possible.

Recommendation 14: Academic efficiencies

The IPC recommends that academic units seek scheduling efficiencies through curriculum reform, teaching plans, classroom use and technology so that a balance is achieved between efficiency and ensuring student success, access to programs, and quality.

Recommendation 15: Research Overhead Policy

Memorial receives funding towards the Operating Budget from research grants and contracts undertaken by Memorial faculty through the indirect costs of research. A review of the indirect costs of research policy and practices across the University is in process. It is essential for Memorial that this policy is strictly enforced.

6. Conclusion

Significant fiscal pressures and an inability to maintain core infrastructure at a condition appropriate for an internationally-ranked University requires an infusion of significant new revenue that can only be achieved through tuition rate increases at the undergraduate level.

Newfoundland and Labrador students represent ~75% of the undergraduate student population and therefore rate increases to this group in particular are essential. Proposing an increase to tuition rates for provincial students requires collaboration with the provincial government to implement a progressive funding model that allocates greater funding to those students most affected by the tuition rate increase.

The link between tuition revenue, institutional excellence, and access needs to be clearly demonstrated to government, students, and all stakeholders.

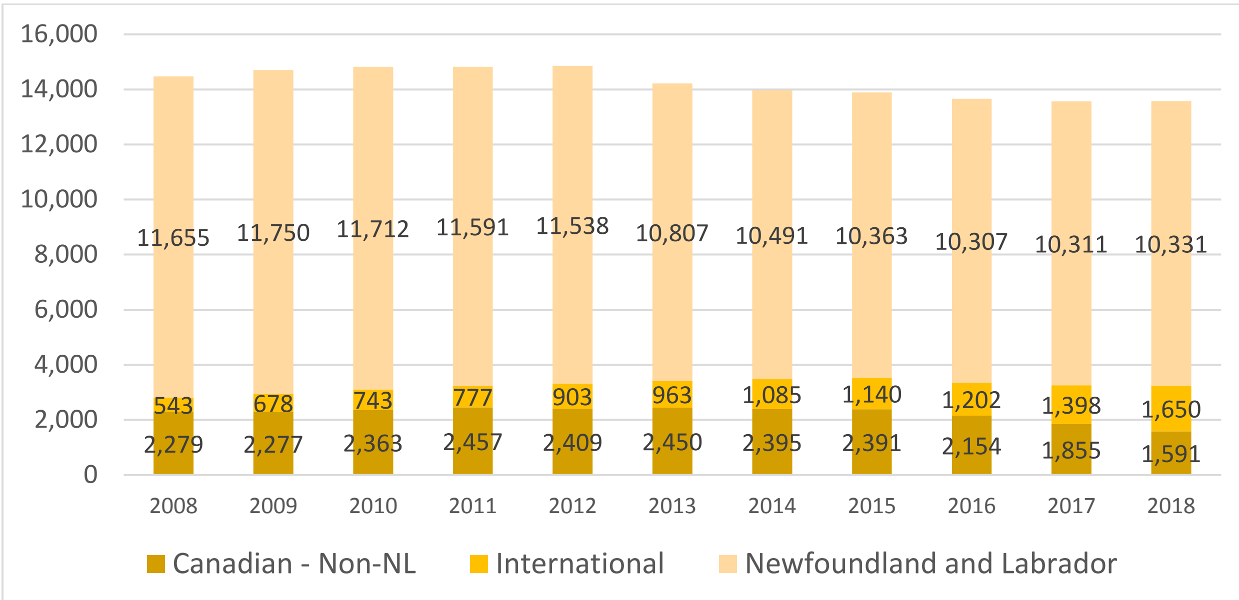
APPENDICES

APPENDIX A: Provincial Government Grant Adjustments

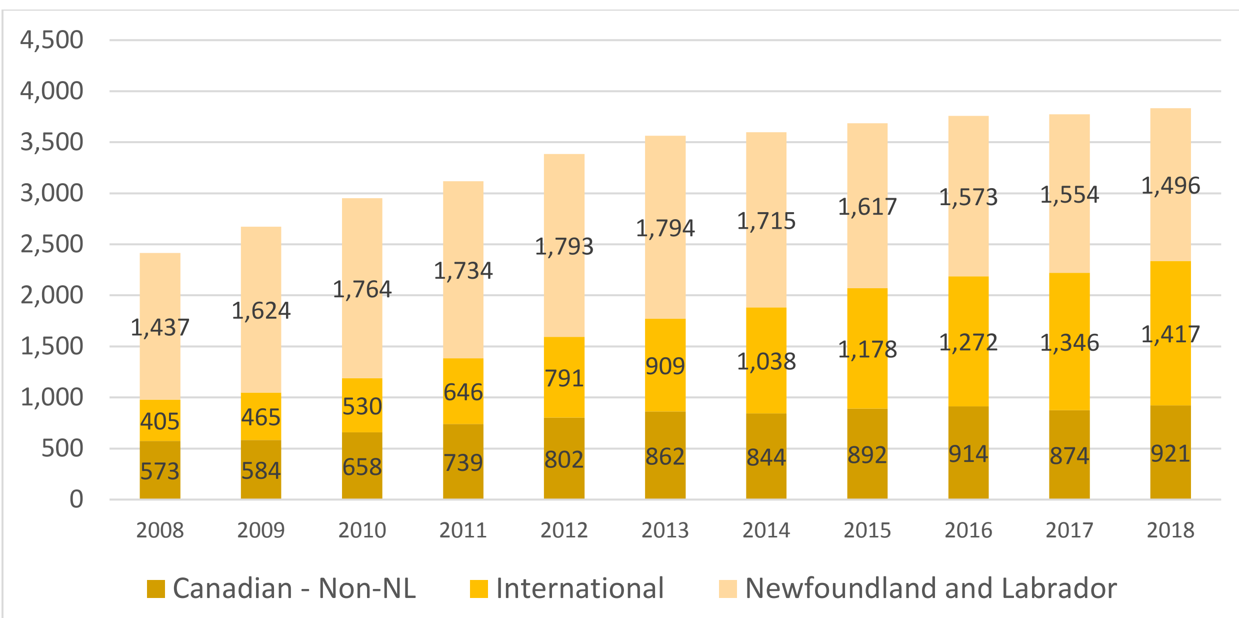
	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	Cumulative Grant Change Since 2010-11
Salaries & Benefits Adjustments										
Salaries & Benefits	$15,355,400	$10,929,300	$6,627,800	$3,832,800	$2,043,100	$9,085,700	$3,550,400	$1,586,800	$0	$53,011,300
Salaries & Benefits - Attrition	0	0	0	0	0	0	(3,000,000)	0	(3,000,000)	($6,000,000)
Pension Indexing & Pension Plan Funding	0	13,801,000	835,000	872,000	0	(20,950,000)	0	0	0	($5,442,000)
Total Salaries & Benefits Adjustments	**15,355,400**	**24,730,300**	**7,462,800**	**4,704,800**	**2,043,100**	**(11,864,300)**	**550,400**	**1,586,800**	**(3,000,000)**	**41,569,300**
White Paper Adjustments										
White Paper - Grant-in-Aid of Tuition Freeze	5,000,000	5,300,000	5,500,000	3,800,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	$39,600,000
White Paper - Grant-in-Aid of Tuition Freeze	0	0	0	0	0	(4,000,000)	4,000,000	0	0	$0
Total White Paper Adjustments	**5,000,000**	**5,300,000**	**5,500,000**	**3,800,000**	**4,000,000**	**0**	**8,000,000**	**4,000,000**	**4,000,000**	**39,600,000**
Other Adjustments										
Government Funded Strategic Initiatives	910,500	323,200	1,872,300	2,537,900	1,075,000	0	1,000,000	0	0	$7,718,900
Government Grant Reductions - Base	0	0	(3,053,000)	(303,300)	(188,900)	(8,700,000)	(6,367,200)	(11,932,500)	(6,131,900)	($36,676,800)
Government Grant Reductions - One-Time	0	0	0	0	0	0	(2,733,000)	2,733,000	0	$0
Grenfell Campus - Centre for Environmental Excellence	(65,000)	500,000	0	0	0	0	0	0	0	$435,000
Grenfell Campus - Renewed Governance	3,000,000	500,000	0	0	0	0	0	0	0	$3,500,000
Marine Institute	0	0	2,069,000	2,302,500	1,925,000	0	0	0	0	$6,296,500
Total Other Adjustments	**3,845,500**	**1,323,200**	**888,300**	**4,537,100**	**2,811,100**	**(8,700,000)**	**(8,100,200)**	**(9,199,500)**	**(6,131,900)**	**(18,726,400)**
Total	**$24,200,900**	**$31,353,500**	**$13,851,100**	**$13,041,900**	**$8,854,200**	**($20,564,300)**	**$450,200**	**($3,612,700)**	**($5,131,900)**	**$62,442,900**

APPENDIX B: Student Enrolment

Composition of Undergraduate Population, 2008-2018

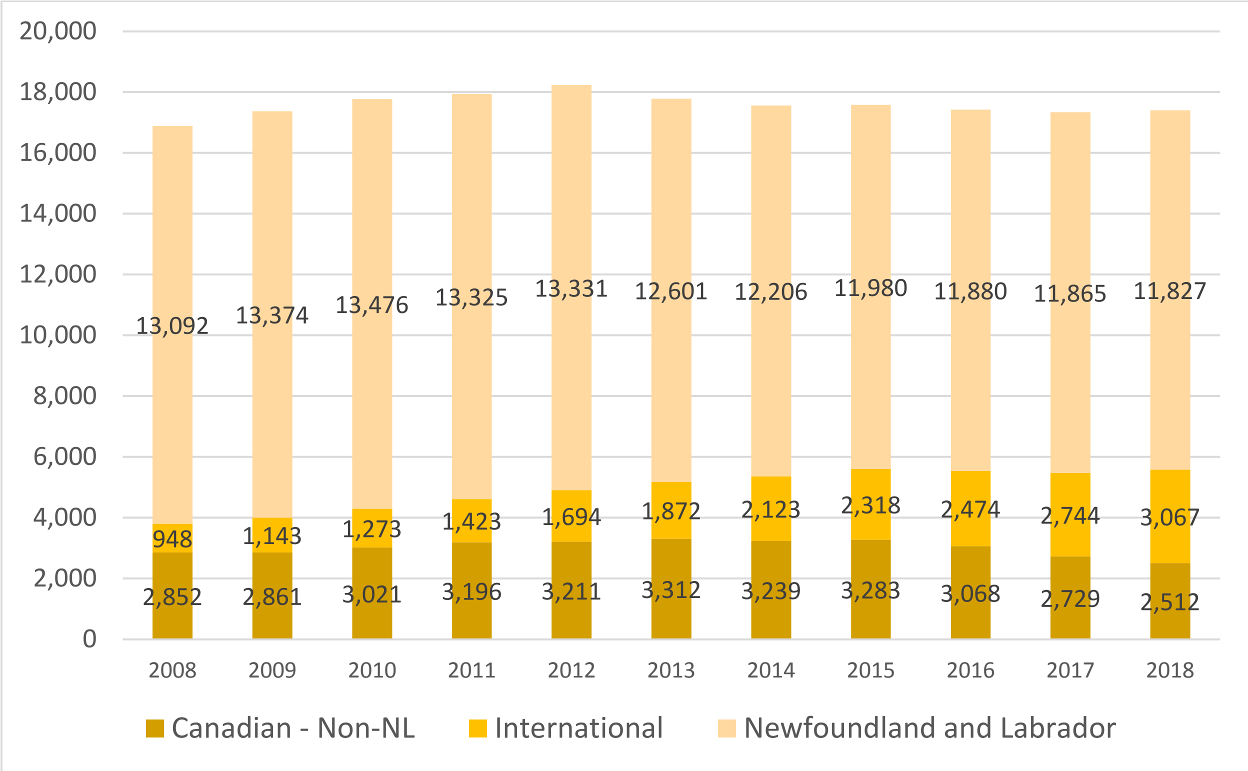


Composition of Graduate Population, 2008-2018



Source: 2018 Memorial University Fact Book, Tables 12-14

Undergraduate and Graduate Students, by Origin



Source: 2018 Memorial University Fact Book, Tables 12-14

APPENDIX C: Comparative Tuition Levels – Distribution of Annual Tuition Rates

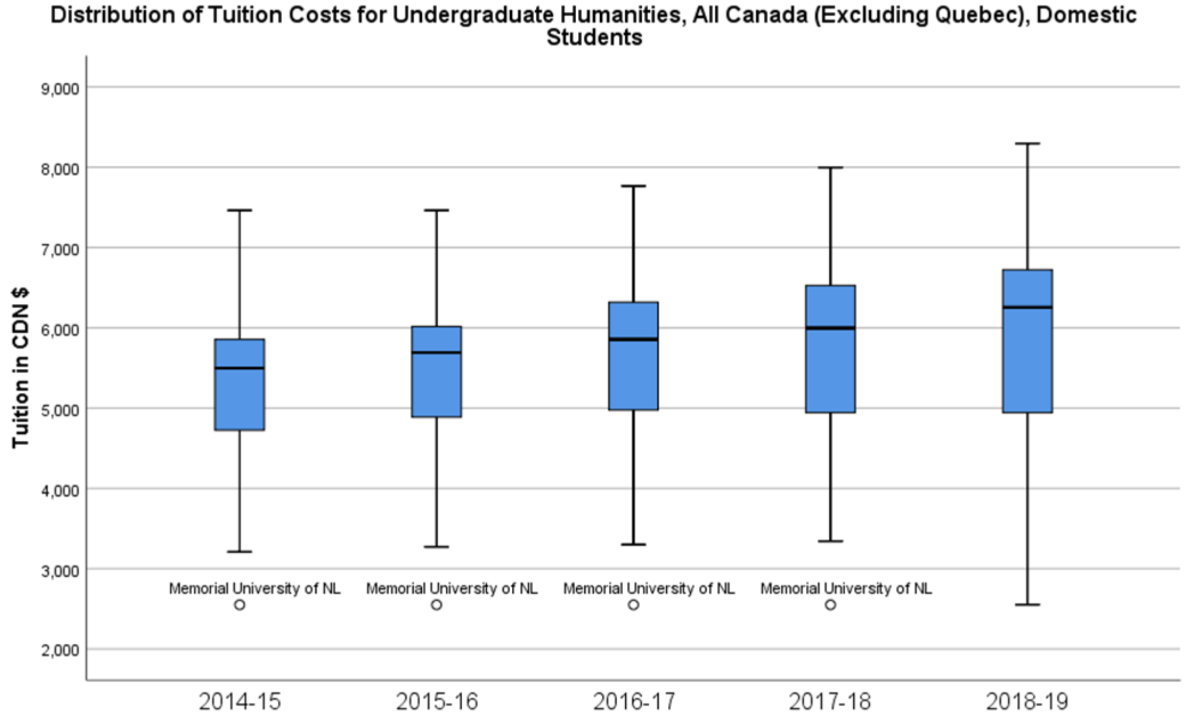
The following box plots show how tuition rates have changed in Canada over the past 5 years. Box plots capture the distribution of tuition rates within specific groups of universities. The middle line represents the median annual tuition cost (i.e. half of the universities have tuition rates above that level and half below). The length of the line represents the range of tuition levels (e.g., $3,330 to $7,500 in 2014-15), excluding "outliers" or tuition levels that are significantly high or low. The outer ends of each box plot display the maximum and minimum annual tuition rates. Outliers are presented as circles or stars. Stars represent extreme outliers. For example, Memorial's annual domestic tuition rate is an extreme outlier in the Atlantic Canadian comparison group.

Comparative tuition rates are based on the Statistics Canada "Tuition, Living and Accommodations Costs" survey results for Humanities undergraduate students. The rates for Humanities students were chosen to reflect the standard lowest undergraduate tuition rates at each institution. The published rates at the Institutional and Provincial level are based on a weighted average that includes programs with special fees and is not an appropriate comparison for standard undergraduate tuition rates.

Distribution of Tuition Costs for Undergraduate Humanities, All Canada (Excluding Quebec), Domestic Students

Report

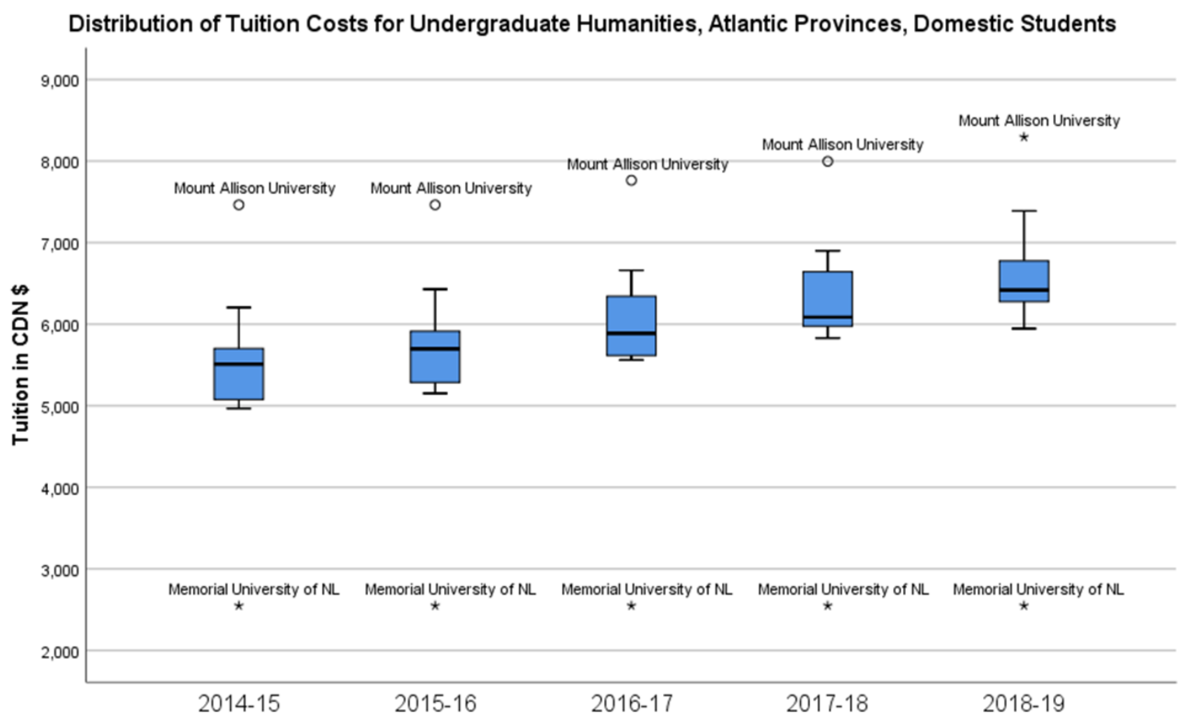
	2014-15	2015-16	2016-17	2017-18	2018-19
N	56	55	57	58	58
Median	5496.50	5690.00	5855.00	5996.00	6255.50
Minimum	2550	2550	2550	2550	2550
Maximum	7464	7464	7765	7997	8295
Memorial	2550	2550	2550	2550	2550



Distribution of Tuition Costs for Undergraduate Humanities, Atlantic Provinces, Domestic Students

Report

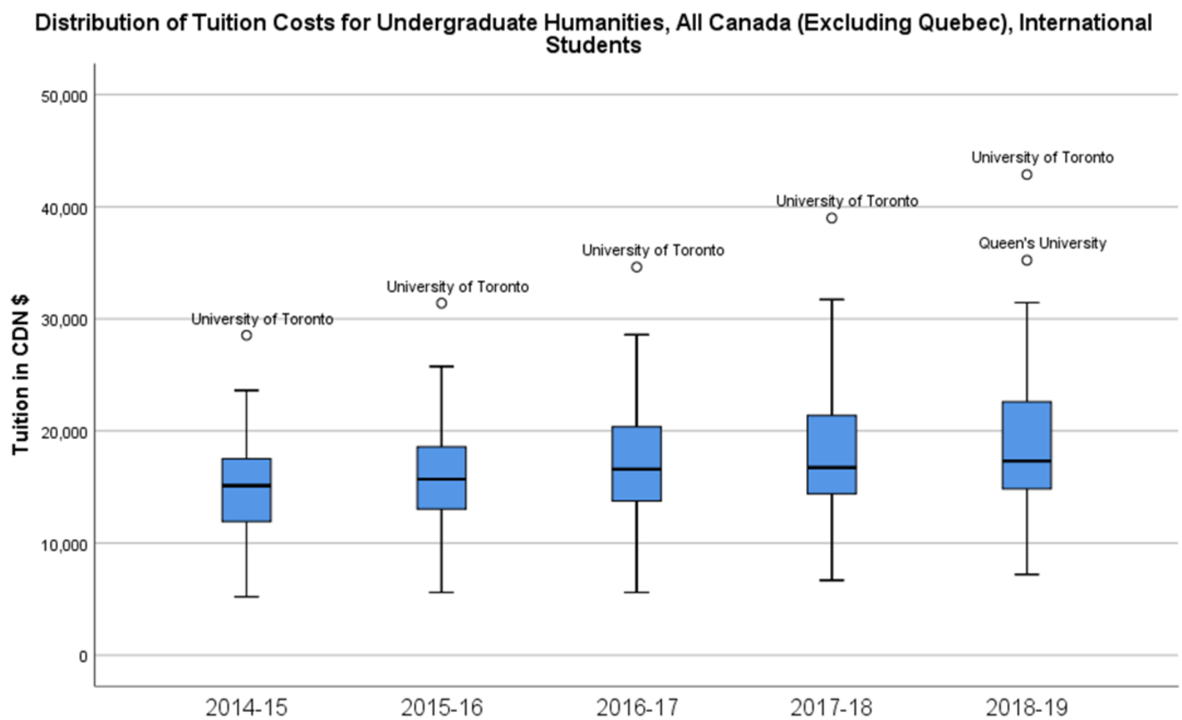
	2014-15	2015-16	2016-17	2017-18	2018-19
N	14	14	14	13	13
Median	5511.50	5698.50	5888.50	6087.00	6418.00
Minimum	2550	2550	2550	2550	2550
Maximum	7464	7464	7765	7997	8295
Memorial	2550	2550	2550	2550	2550



Distribution of Tuition Costs for Undergraduate Humanities, All Canada (Excluding Quebec), International Students

Report

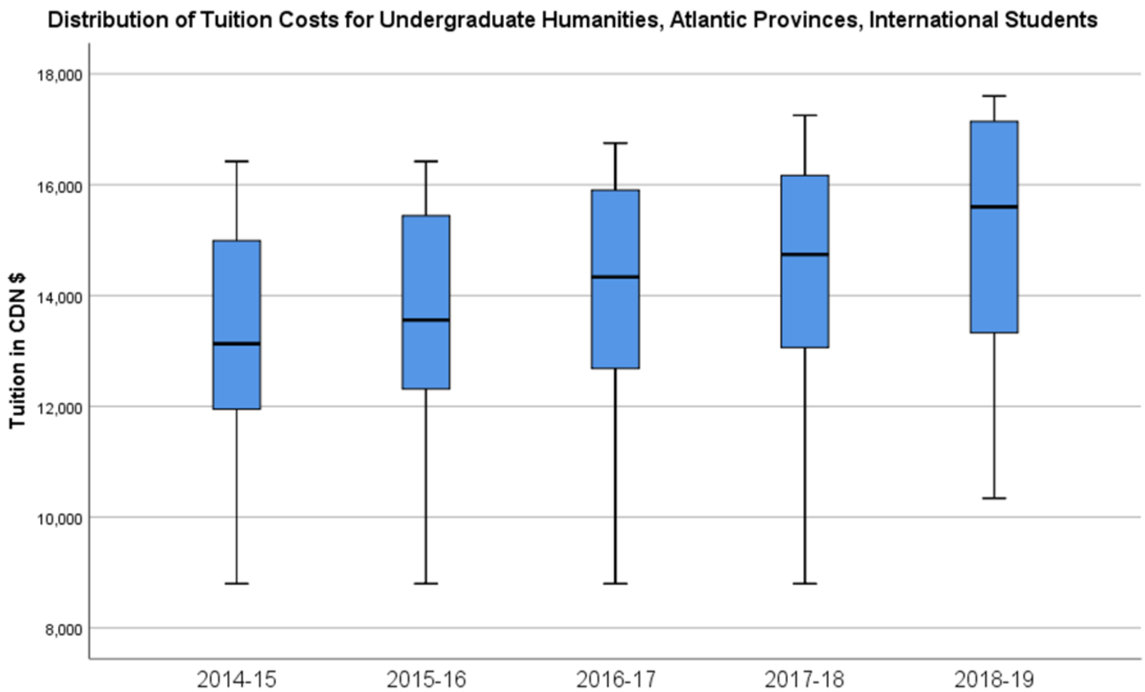
	2014-15	2015-16	2016-17	2017-18	2018-19
N	56	55	57	58	58
Median	15112.00	15693.00	16590.00	16725.00	17307.50
Minimum	5200	5600	5600	6684	7203
Maximum	28540	31400	34620	38990	42870
Memorial	8800	8800	8800	8800	11460



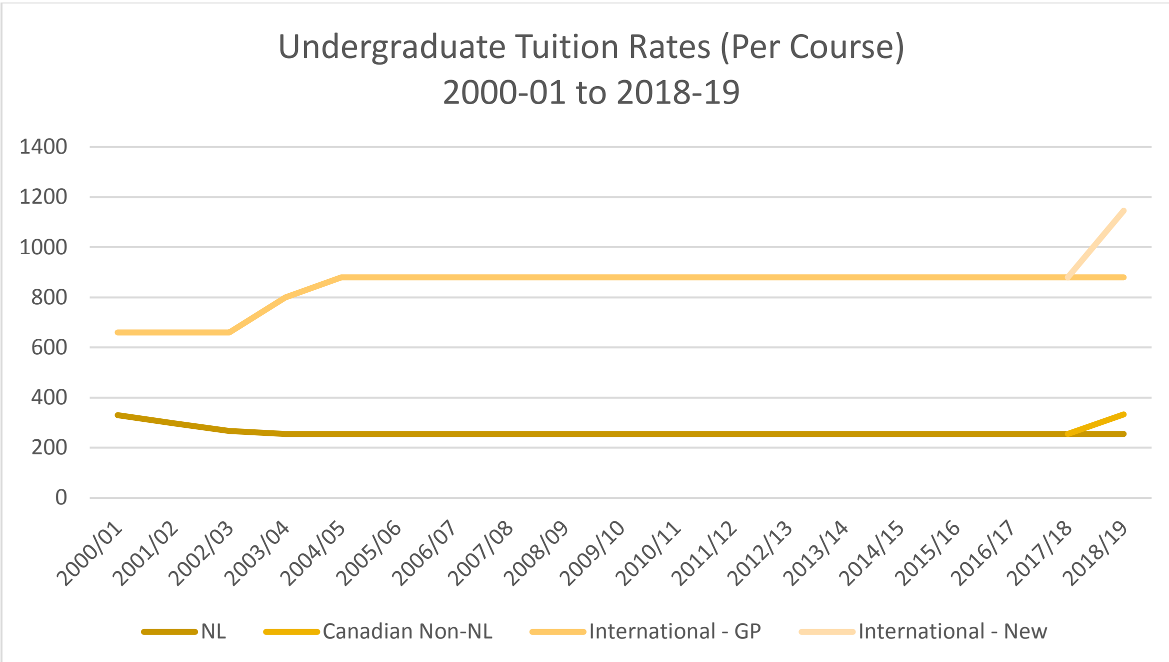
Distribution of Tuition Costs for Undergraduate Humanities, Atlantic Provinces, International Students

Report

	2014-15	2015-16	2016-17	2017-18	2018-19
N	14	14	14	13	13
Median	13128.00	13557.50	14335.00	14740.00	15600.00
Minimum	8800	8800	8800	8800	10340
Maximum	16421	16421	16750	17251	17600
Memorial	8800	8800	8800	8800	11460



APPENDIX D: Historic Undergraduate Tuition Rates at Memorial University, 2000-01 to 2018-19



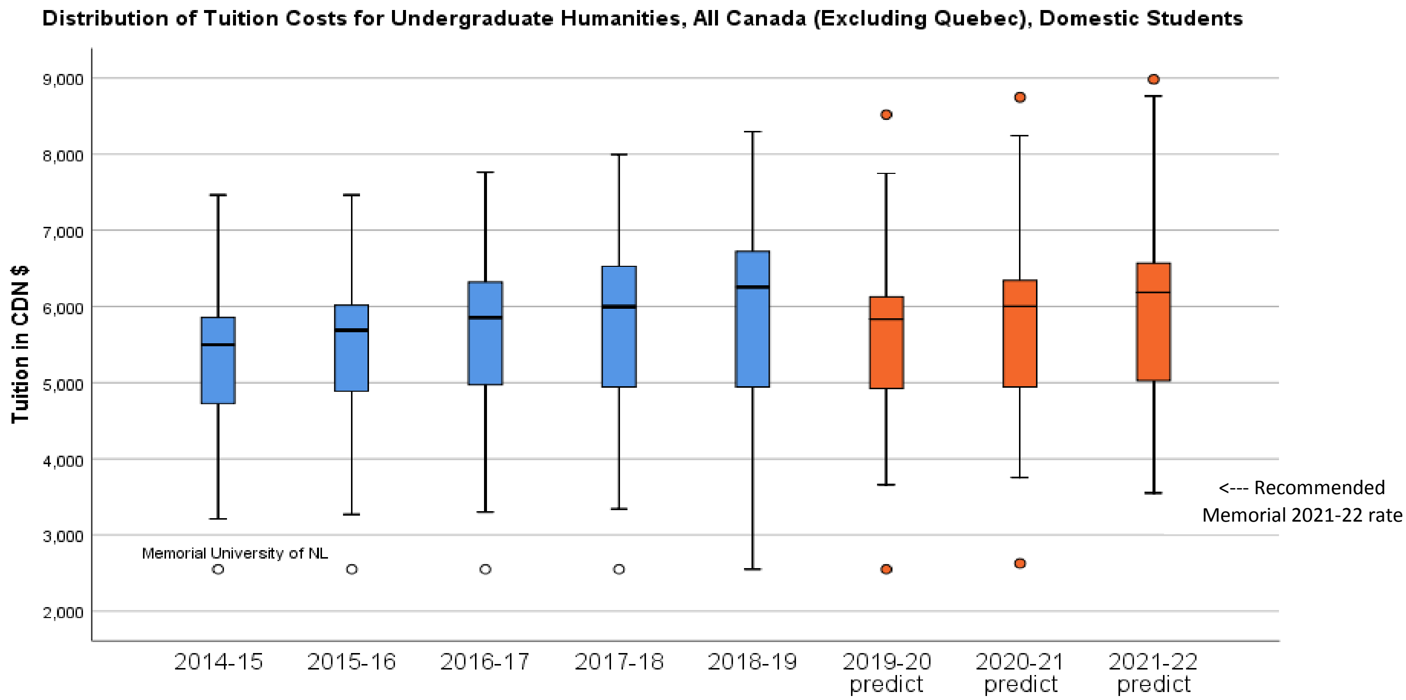
GP = "Grand-parented." This refers to students who were currently enrolled at Memorial when the new tuition rates were announced. These students saw no increases to their annual tuition until the end of the grand-parenting period (Fall 2021).

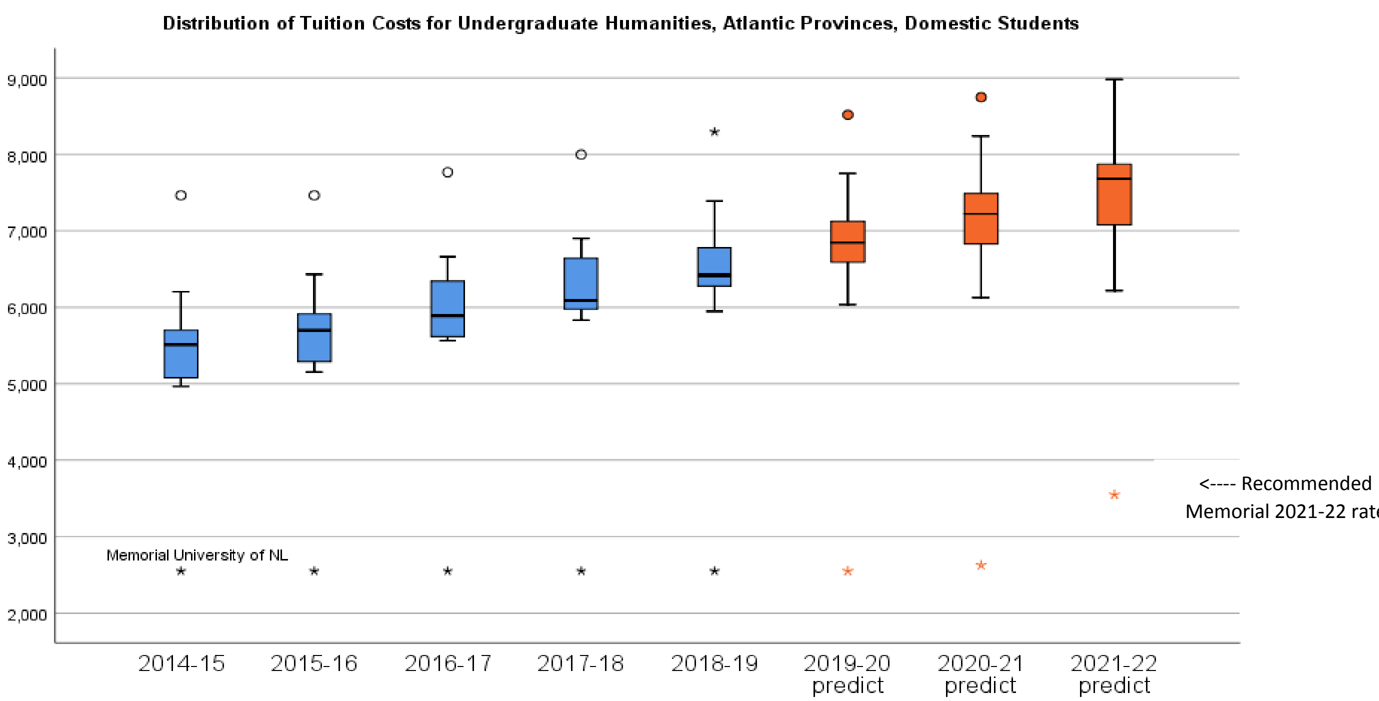
APPENDIX E: Current Annual Tuition Rates, 2018-19

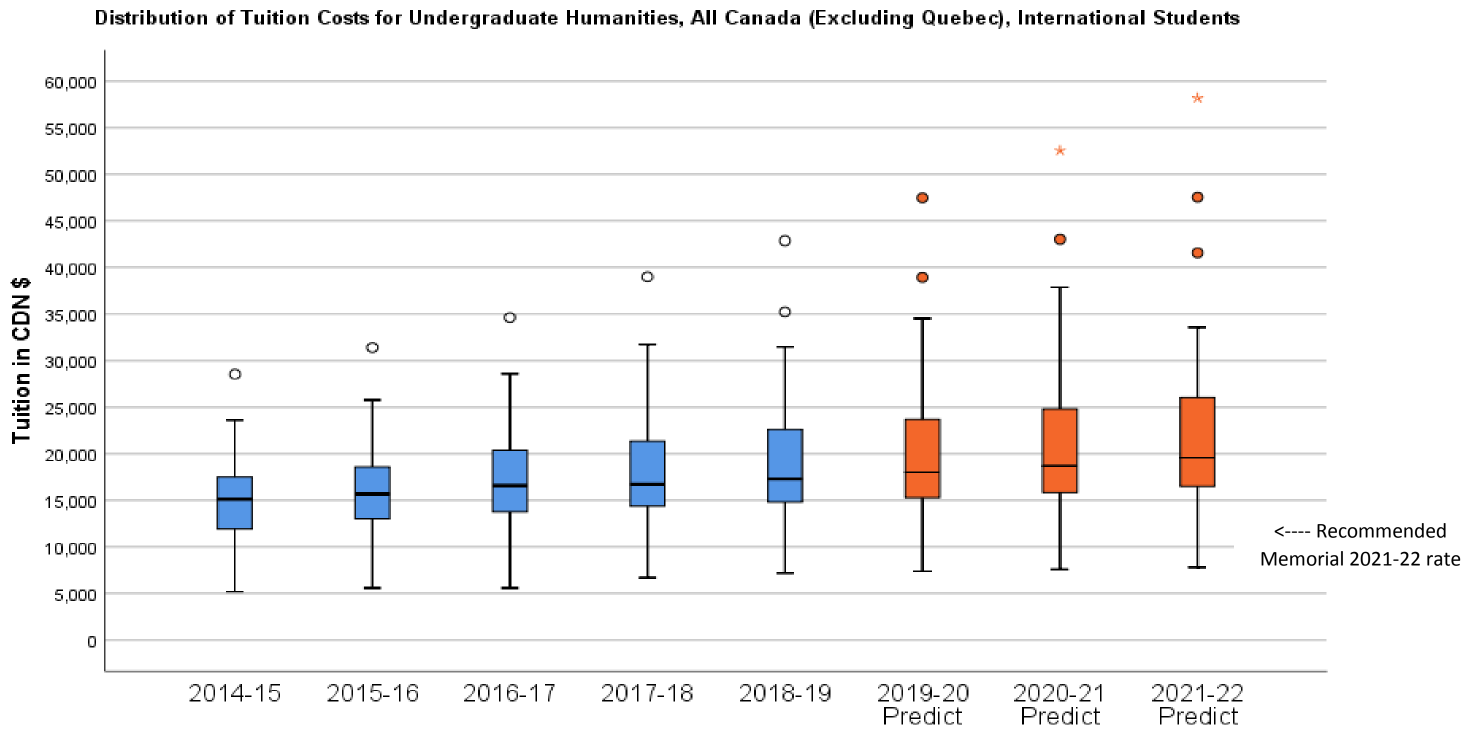
		Annual Fee ($)	
Level	Payment periods (semesters)	Grand-parented	New Student
Undergraduate			
NL	10	2,550	2,550
Non-NL	10	2,550	3,330
International	10	8,800	11,460
Graduate Diploma			
NL	9	1,260	1,260
Non-NL	9	1,260	1,638
International	9	1,638	2,130
Masters			
NL			
Schedule A	6	2,859	2,859
Schedule B	6	1,905	1,905
Schedule C	6	3,939	3,939
Non-NL			
Schedule A	9	2,859	3,717
Schedule B	9	1,905	2,478
Schedule C	9	3,939	5,118
International			
Schedule A	3	3,717	4,833
Schedule B	3	2,478	3,222
Schedule C	3	5,118	6,654
PHD			
NL	12	2,664	2,664
Non-NL	12	2,664	3,462
International	12	3,459	4,497

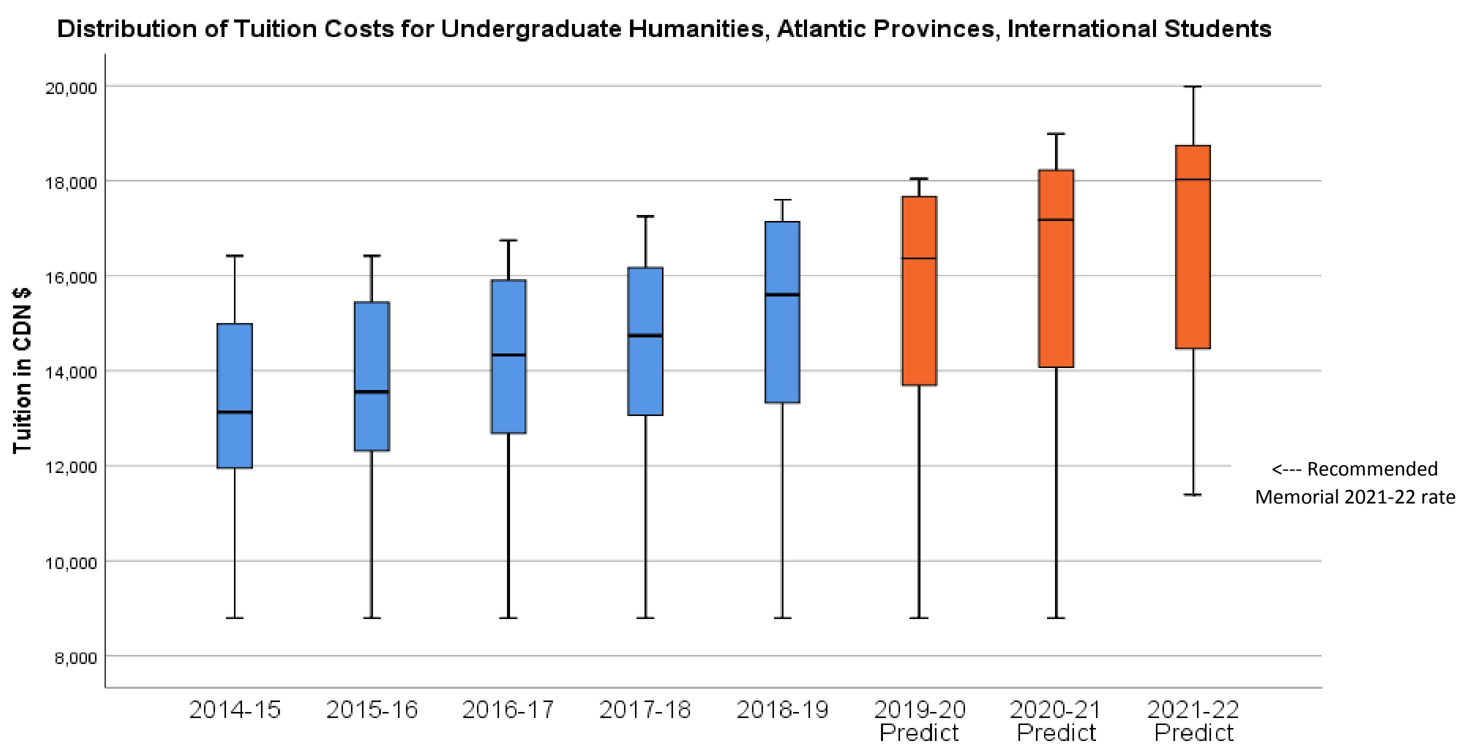
APPENDIX F: Projected 2021 Comparable Tuition Rates

The following box plots illustrate where the proposed Fall 2021 tuition rates would place Memorial in the National and Atlantic contexts. Projected tuition rates for other institutions are based on historic annual changes from 2014-15 to 2018-19. Ontario Universities' *domestic* tuition rate projections are adjusted to account for the recently announced 10% decrease; it is assumed that Ontario tuition rates will continue to increase once the 10% reduction is implemented.


Distribution of Tuition Costs for Undergraduate Humanities, All Canada (Excluding Quebec), Domestic Students
Tuition in CDN $
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
Memorial University of NL
<--- Recommended Memorial 2021-22 rate
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20 predict
2020-21 predict
2021-22 predict


Distribution of Tuition Costs for Undergraduate Humanities, Atlantic Provinces, Domestic Students
9,000
8,000
7,000
6,000
5,000
4,000
3,000
2,000
Memorial University of NL
<---- Recommended Memorial 2021-22 rate
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20 predict
2020-21 predict
2021-22 predict


Distribution of Tuition Costs for Undergraduate Humanities, All Canada (Excluding Quebec), International Students
Tuition in CDN $
60,000
55,000
50,000
45,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20 Predict
2020-21 Predict
2021-22 Predict
<---- Recommended Memorial 2021-22 rate


Distribution of Tuition Costs for Undergraduate Humanities, Atlantic Provinces, International Students
Tuition in CDN $
20,000
18,000
16,000
14,000
12,000
10,000
8,000
2014-15
2015-16
2016-17
2017-18
2018-19
2019-20 Predict
2020-21 Predict
2021-22 Predict
<--- Recommended Memorial 2021-22 rate