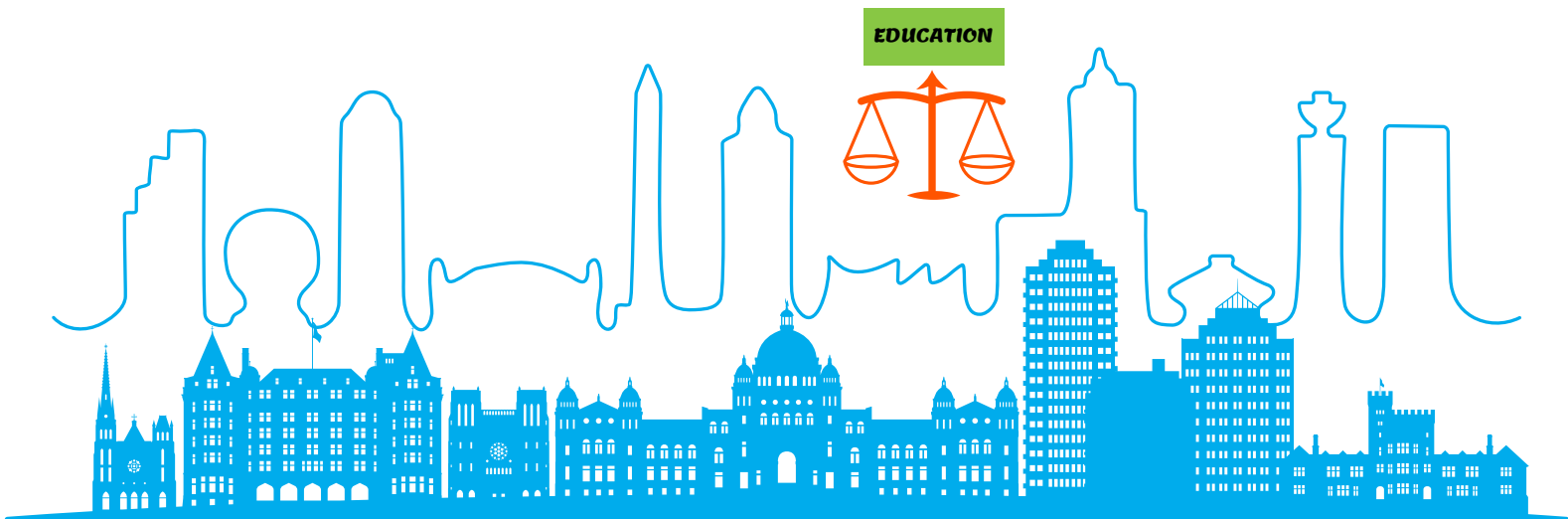




2022

4

ON REVENUE & EXPENDITURES AT BC'S RESEARCH UNIVERSITIES



FUNDING FOR SUCCESS POST-SECONDARY EDUCATION IN BC

Brief 4 of 6 in a series by the
Confederation of University Faculty
Associations of British Columbia (CUFA BC)

On Revenue & Expenditures at BC's Research Universities

Part of the "Funding for Success: Post-Secondary Education in BC" Series 2022

Acknowledgements

CUFA BC would like to thank the following individuals who contributed to this publication:

Annabree Fairweather, Executive Director

Dr. Daniel Laitsch, Past President

Research Consultants: J. Hollingsworth and N. Mazur


We would also like to thank CUFA BC's Executive Committee, Council members, and subject experts who provided input and feedback.



Permissions

Copyright © 2022 CUFA BC, All rights reserved.

This work is licensed under a [Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License](https://creativecommons.org/licenses/by-nc-sa/4.0/) (CC BY-NC-SA 4.0).


**Attribution-
NonCommercial-
ShareAlike 4.0
International
(CC BY-NC-SA 4.0)**

Attribution: Users may copy and redistribute the material in any medium or format under the following terms: You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

NonCommercial: You may not use the material for commercial purposes.

ShareAlike: If you remix, transform, or build upon the material, you must distribute your contributions under the same license as the original.

BC's Research Universities

REVENUE & EXPENDITURES

INTRODUCTION

Over the past 20 years, public operating funding in the post-secondary sector has steadily declined across Canada, including at BC's research universities. In 1977/78, government grants and contracts accounted for about 75% of university revenues in Canada while today, that has fallen to about 44.5%. In BC, about 43.8% of university revenue today comes from government grants and contracts. This proportion of funding even takes into account the pandemic experience in recent years during which time government provided temporary financial support to post-secondary institutions across the province.

Significant pressure has been brought to bear on university operating budgets. Institutions have had to seek private funding sources to compensate for provincial underinvestment. Private funding in BC predominantly comes from tuition revenue, especially international student tuition.

In considering appropriate funding models for BC's universities, we need to look at how universities spend their funds and to what ends. There are high expectations on universities regarding their roles as social and economic catalysts that have led to expanded mandates, some of which are entirely unfunded or are poorly funded.

Institutions have had to pare down operational expenditures to minimal levels of support in response to uncertain and changing government funding priorities. In some cases, these decisions stretch the limits of institutional mandates and threaten core academic missions.

Without government funding commensurate to the task assigned to universities, institutional supports for academic research is insufficient. Canada lags behind other countries in the Organisation for Economic Co-operation and Development (OECD) in terms of research investment, measured by the expenditure on research and development as a percentage of GDP.

The downward trend has impacted universities' abilities to fund their research, particularly the indirect costs and capital costs provided at the institutional level. Institutions demonstrate a lack of funding for a variety of new research across the academic spectrum. As well, there is not enough funding support for graduate students that could accelerate research intensity. Research infrastructure, in the form of labs, equipment and supplies, and technology and software, can be restricted across BC institutions as overall funding for infrastructure continues to lag and inflation further erodes university budgets.

Greater focus on administration and profitable private ventures, combined with lesser focus on instruction and its relation to research, reflects the marketization of post-secondary education. Furthermore, the structure of university funding seems to impact university decisions on how to allocate what they receive, showing how far funding policies can trickle down. Ultimately, these decisions have major consequences for the university experience for faculty, staff, and students.



BC's Research Universities

REVENUE & EXPENDITURES

OPERATING FUNDING

The proportion of public funding sources for BC university operations has decreased while private funding sources have increased. While total revenues for universities in Canada have grown, not all of these revenues are able to pay for increases in operating costs. Sponsored research, capital, endowment, and special purpose and trust funds are restricted, whereas unrestricted funds include general operating and ancillary funds. It's these unrestricted funds that form the *operating income* of the university, and they come from four sources: **government grants (99% provincial), tuition and other student fees, ancillary enterprises, and other revenues**. As university revenue has privatized, institutional spending and market mechanisms have forced a shift in the focus of institutions away from the public purposes of their academic missions to the pursuit of private resources and interests.

FACTS & FIGURES

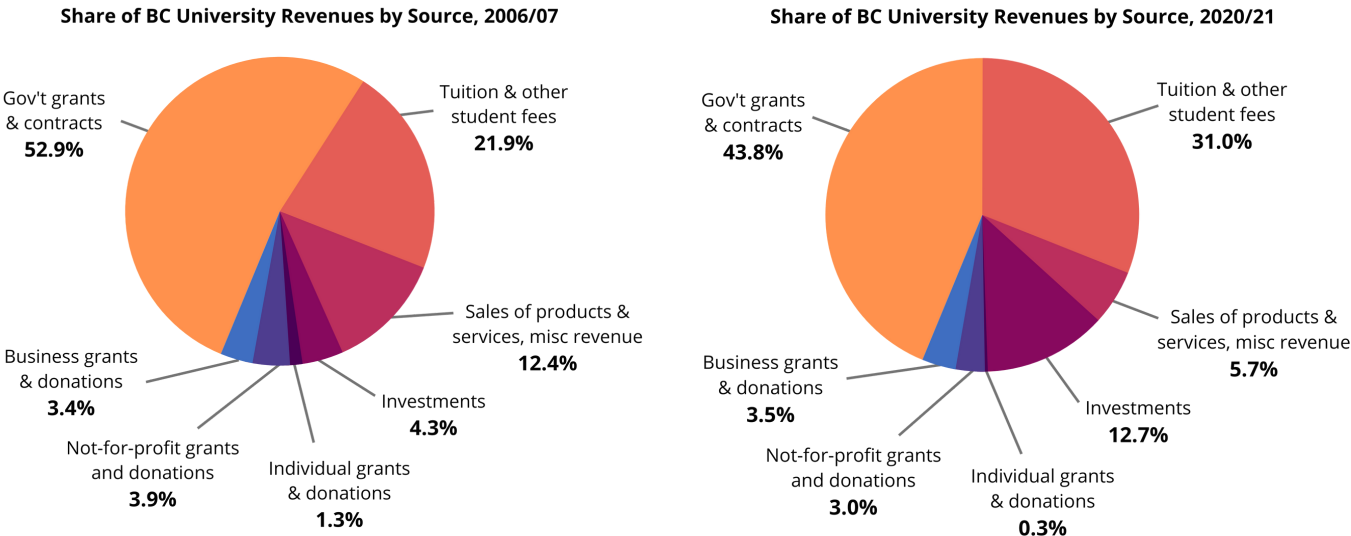
- Private funding sources now surpass public funding as share of university revenue in BC post-secondary.
- In 2020/21, government grants and tuition accounted for 87% of spendable funds in Canadian universities. In BC, this share was 84.5%.
- Prior to the pandemic, BC experienced one of the highest rates of decline in university grants per student FTE compared to other provinces. Over the 2006/07 to 2018/19 period, BC's rate of decline was 25.8% in real terms while Canada-wide, the decline was 13.7%.
- In the past two years, however, BC has increased per capita funding to support institutions throughout the pandemic. From 2006/07 to 2020/21, the rate of decline in university grants per student FTE in BC was 17.3%, which takes into account the temporary pandemic funding experienced throughout the pandemic.

Some university revenue is restricted to pay for sponsored research, capital, endowment, and special purpose and trust funds. Unrestricted revenue covers general operating and ancillary funds.

Four sources of unrestricted university operating income:

1. Government grants (99% provincial)
2. Tuition and other student fees
3. Ancillary enterprises
4. Other revenue

Figure 1. Share of University Revenues by Source in British Columbia, 2006/07 and 2020/21



BC's Research Universities

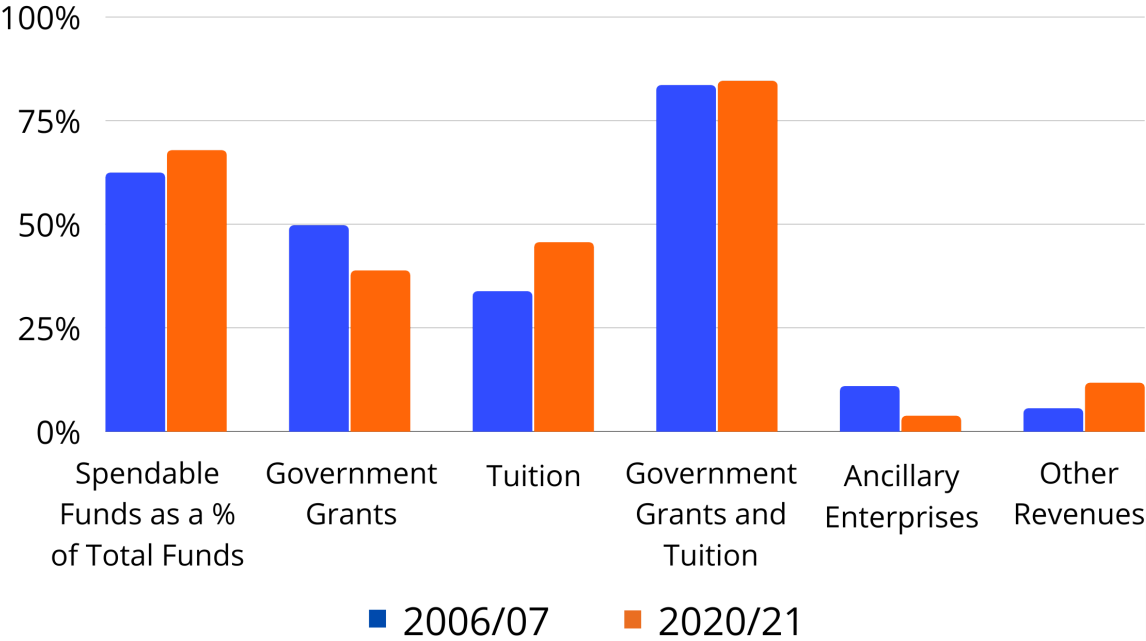
REVENUE & EXPENDITURES

OPERATING FUNDING

FACTS & FIGURES

- In constant dollars, government grant income in Canada decreased slightly (-0.9%) over 2010/11 to 2020/21, while tuition income grew by 72.6% in real terms. In BC, government grant income witnessed an increase of 3.5% after inflation, while tuition income grew by 83.7%.
- As a share of total provincial government spending, post-secondary general operating expenditures in BC has declined steadily since 2007/08 to 4.5%, while rebounding to 5.0% in 2019/20 as a result of temporary financial supports provided to institutions.
- As a share of provincial expenditures, BC has invested less of its revenues in university and colleges compared to other provinces.
- At the national level, greater share of operating grants to provincial funding is found in colleges (about 92% in 2019/2020) compared to universities (about 80%).
- In BC more than in any other province, a higher proportion of FTE enrolments in degree programs are offered at colleges (12.5% vs 5.7% nationally) while a higher proportion of certificate and diploma degrees are offered at universities (9.0% vs 4.8% nationally). Some of this overlap is attributed to the creation of five special purpose teaching universities, but this is also the result of increasingly diversified programs and credential types across the post-secondary sector in BC.

Figure 2. Funding Source as Percent of Spendable Funds in Universities and Colleges in BC, 2006/07 and 2020/21



BC's Research Universities

REVENUE & EXPENDITURES

TUITION

The long-term shift from predominantly public to predominantly private sources of funding for universities in Canada and British Columbia reached an important milestone in 2012/13, when these funding sources surpassed federal, provincial, and other government grants and contracts as a share of university funding. Tuition growth is particularly notable as a method that universities are using to increase their revenues. The largest factor in the privatization-by-stealth of post-secondary education has been the massive growth in international student tuition as a source of revenue for universities.

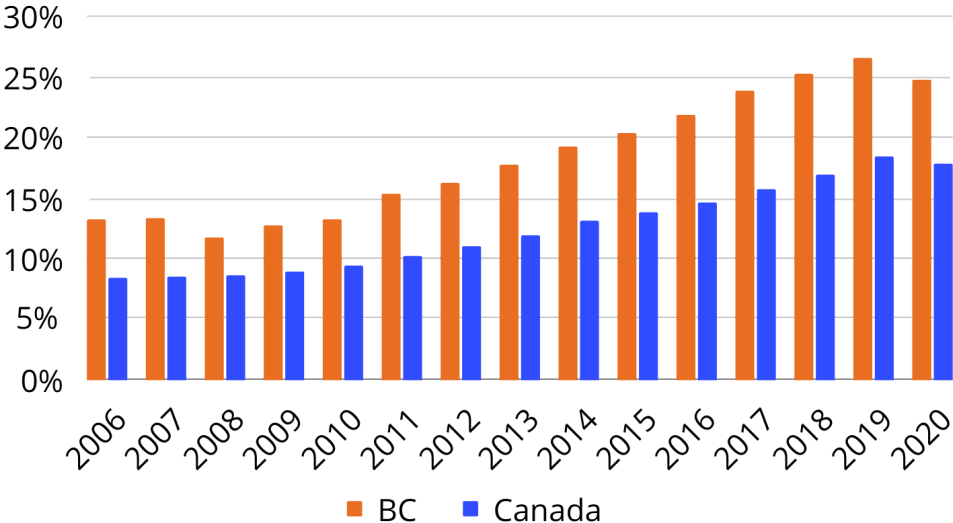
An over-reliance on international tuition and student fees to make up provincial funding shortfalls has put our higher education system at financial risk. The pandemic has caused significant financial losses, with some universities projecting up to 15% revenue losses from international tuition and fees.

UBC Okanagan projected a \$9.247 million loss in revenue in 2020-21 from international student tuition and fees based on their pre-Covid projections of \$75.984 million revenue. They anticipated loss of \$4.945 million from domestic student tuition and fees.

FACTS & FIGURES

- Student fees, including tuition, made up nearly 30% of total Canadian university revenues in 2020/21, almost tripling since 1977/78 (10.4%).
- In BC in 2022/23, the unadjusted and weighted average tuition per year breaks down as follows:
 - A Canadian undergraduate student pays \$6,250
 - An international undergraduate student pays \$33,000
 - A Canadian graduate student pays about \$10,000
 - An international graduate student pays \$21,750
- International student enrolments are now 25% of FTE university enrolments in BC; higher than the national average of 18%. The rate of growth of international student enrolments and similar skyrocketing growth in unregulated fees for these students have made up a key part of the funding framework of universities.
- To the extent that shortfalls in core operating funding are being made up by tuition income, the growth in tuition and its segmentation by program and by international student status may become a form of *de facto* performance-based funding, incentivizing university investments in support of higher tuition generating enrolment streams over others.
- Rising tuition costs have increased the debt burden of students, created challenges for access for lower-income individuals and families, and introduced new forms of revenue volatility that place institutions at financial risk.

Figure 3. International Students as a Share of FTE University Enrolment



BC's Research Universities

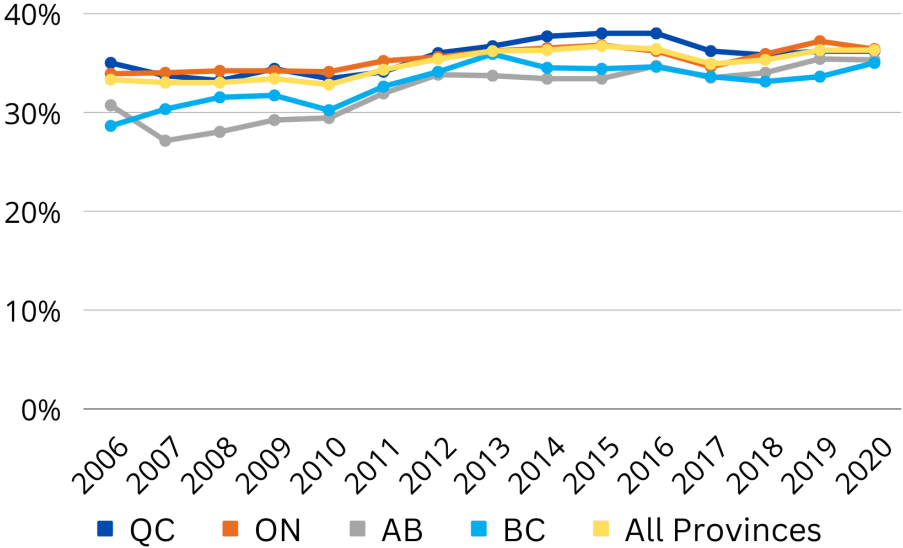
REVENUE & EXPENDITURES

Revenues have not kept pace with the increased operational demands on university budgets. BC's universities are legally prohibited from carrying deficits, and have thus responded to financial pressures by lowering operating expenditures through reducing human infrastructure; outsourcing food and cleaning services labour; implementing energy conservation plans; organizing bulk purchasing and purchasing consortia; investing in licensed digital resources as opposed to physical libraries; increasing private fundraising; expanding for-profit para-educational certificates like those offered through continuing studies programs; changing ancillary services policies to directly support operating activities; and encouraging more private, entrepreneurial activity on campus. These institutional priorities have received mixed responses, with some policies helping institutions become more efficient and streamlined, while others further hinder institutional success.

FACTS & FIGURES

- BC's total domestic expenditures on research as a share of GDP is 1.5%, comparable to national expenditures (1.7%). Both Canada and BC are well below the OECD average of 2.5%.
- As operational funding has privatized, institutional spending has shifted the focus from the public purposes of post-secondary education to the pursuit of private resources and interests, including complex public-private partnerships.
- Expenditure has decreased on physical plant, library, instruction, and non-specialized research. Spending has increased for student services, administration, and technology and computing.
- BC universities spend a smaller proportion on instruction and non-sponsored research as a share of total expenditures compared to other provinces.
- Since 2003, BC's universities fall under the provincial Government Reporting Entity controls, which means Government controls their financial and operating policies, and reports university expenditures as part of Government expenditures in the provincial budget. Most provinces exclude universities from this accounting framework since financial oversight is managed through Boards of Governors and other autonomous mechanisms of academic governance. This check-and-balance on provincial reporting limits the autonomy of institutions to make financial decisions without government permission.

Figure 4.4. Instruction and non-sponsored research as a % of total expenditures of universities and degree-granting colleges by province, 2006/07 to 2020/21



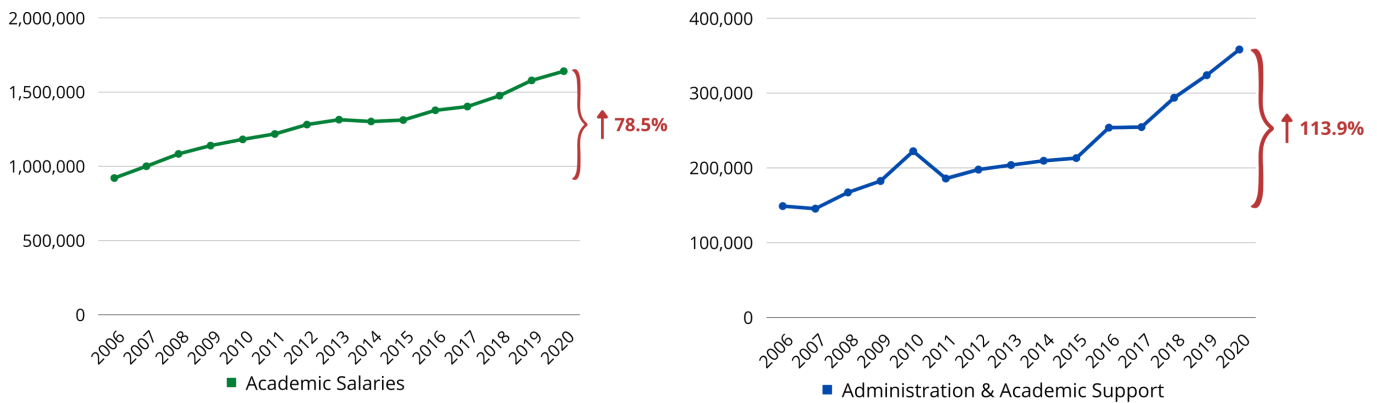
BC's Research Universities

REVENUE & EXPENDITURES

FACTS & FIGURES

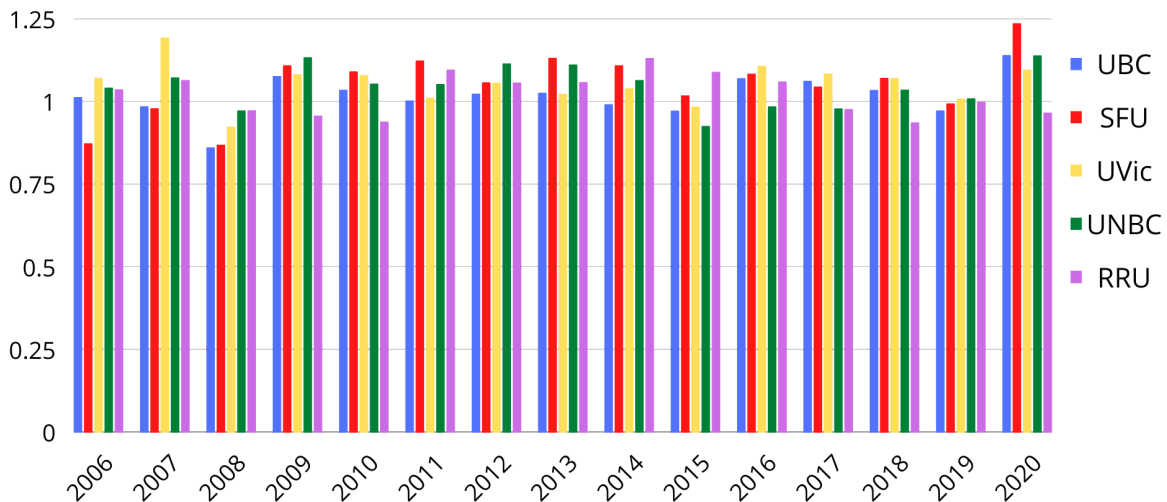
- Universities have increasingly restricted their hiring of new academic staff, particularly tenure-track positions. Full-time faculty numbers are largely stagnant as enrolments rise.
- Nationally, the number of assistant professors declined by 17.9% since 2006. In BC, assistant professors declined by 26.6% since that time. The number of positions below assistant professor (including full-time lecturers, instructors, and other teaching staff) grew from 9.5% of full-time faculty appointments in 2006 to just under 30% by 2019.
- Provincial data for universities and degree-granting colleges shows nominal growth of 113.9% in salaries and benefits for administration and academic support functions over 2006/07 to 2020/21, while academic salaries and benefits as a share of total funds grew by only 78.5%.

Figure 4.5. Growth of Salaries and Benefits for Academic Salaries and Administration and Academic Support Salaries at BC Universities and Degree-Granting Colleges (\$), 2006/07 - 2020/21



- BC's research universities generally ended their financial years with a surplus. This was particularly the case with UVic, which had an average ratio of revenues to expenditure over 2006/07 to 2020/21 of 1.055, running a surplus in 13 of these 15 years (87%). RRU was the institution that went into deficit most often, surpassing 100% of revenue in expenditures in 7 out of 15 years. UBC had the lowest average ratio, at 1.017.

Figure 4.6. Ratio of BC's Research University Revenue to Expenditure (%), 2006/07 - 2020/21



About CUFA BC



The Confederation of University Faculty Associations of British Columbia (CUFA BC) represents more than 5,500 faculty members (professors, lecturers, instructors, and academic librarians) through their unionized faculty associations at five research-intensive and doctoral universities in British Columbia: University of British Columbia, University of Northern British Columbia, University of Victoria, Royal Roads University, and Simon Fraser University.

For over fifty years, CUFA BC has promoted the value of post-secondary education and research in British Columbia. We advocate for the interests of members on a variety of issues affecting post-secondary education, including academic freedom, collegial governance, labour rights, and funding.

In this series:

1
2022
INTRODUCTION TO THE SERIES
FUNDING FOR SUCCESS
POST-SECONDARY EDUCATION IN BC
Brief 1 of 6 in a series by the Confederation of University Faculty Associations of British Columbia (CUFA BC)

2
2022
MEET BRITISH COLUMBIA'S RESEARCH UNIVERSITIES
FUNDING FOR SUCCESS
POST-SECONDARY EDUCATION IN BC
Brief 2 of 6 in a series by the Confederation of University Faculty Associations of British Columbia (CUFA BC)

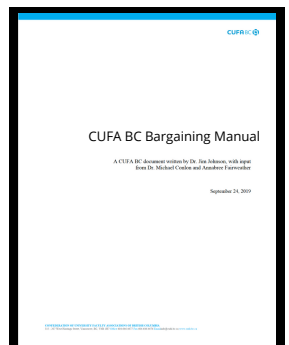
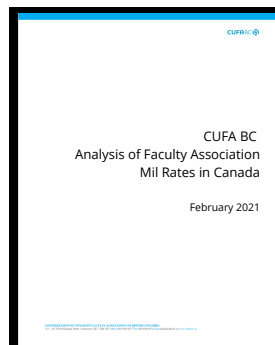
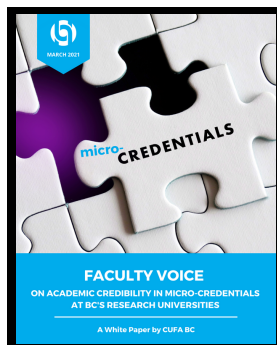
3
2022
AN OVERVIEW OF BRITISH COLUMBIA'S POST-SECONDARY FUNDING
FUNDING FOR SUCCESS
POST-SECONDARY EDUCATION IN BC
Brief 3 of 6 in a series by the Confederation of University Faculty Associations of British Columbia (CUFA BC)

4
2022
ON REVENUE & EXPENDITURES AT BC'S RESEARCH UNIVERSITIES
FUNDING FOR SUCCESS
POST-SECONDARY EDUCATION IN BC
Brief 4 of 6 in a series by the Confederation of University Faculty Associations of British Columbia (CUFA BC)

5
2023
ON PERFORMANCE INDICATORS IN POST-SECONDARY EDUCATION
FUNDING FOR SUCCESS
POST-SECONDARY EDUCATION IN BC
Brief 5 of 6 in a series by the Confederation of University Faculty Associations of British Columbia (CUFA BC)

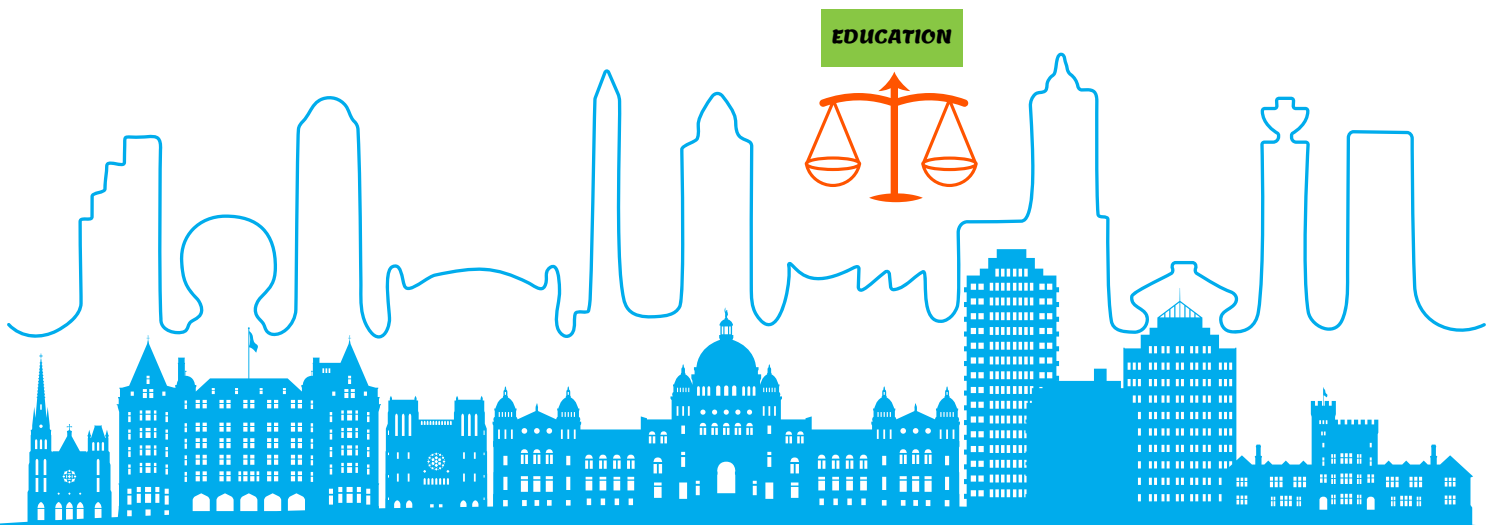
6
2023
RECOMMENDATIONS FOR BC'S POST-SECONDARY FUNDING MODEL
FUNDING FOR SUCCESS
POST-SECONDARY EDUCATION IN BC
Brief 6 of 6 in a series by the Confederation of University Faculty Associations of British Columbia (CUFA BC)

Other CUFA BC publications:



ON REVENUE & EXPENDITURES AT BC'S RESEARCH UNIVERSITIES

FUNDING FOR SUCCESS POST-SECONDARY EDUCATION IN BC



Confederation of University Faculty Associations of BC

www.cufa.bc.ca | info@cufa.bc.ca | 604-646-4677 | 301 - 220 Brew Street, Port Moody, BC V3H 0H6