



U OF R REPORT

P2 SAVING PAPER P3 FUNDING MODEL P3 ENROLMENT INCREASE P4 MARKET COLLAPSE

Campus searches for savings

The challenge of finding savings has become all the more important in the 2010-11 operating budget because of the recent global economic crisis and the last four years of declining enrolments.

“We have had to cut and find efficiencies,” says David Button, vice-president (Administration). Over a series of years of doing that, we’ve now, to use an analogy, plucked all the low-hanging fruit. The easy places to find efficiencies, people have done a good job of finding them already. It gets tougher and tougher every year. So last year we had to find \$3 million. In a real general sense, we are probably going to need to find at least another \$3 million this year, but it’s harder. You have to climb higher up that ladder to find the savings.”

To find that \$3 million,



David Button, vice-president (Administration), is one of the people at the University working to find new efficiencies and investment areas that will create long-term benefits for the institution.

budget managers have been asked to identify how they would implement a five per cent base cut within their

unit and describe how that reduction would affect them and other units.

The University does not

plan to make a five per cent cut to every unit.

“From a leadership approach, the weakest thing

to do is the same thing to everyone. That’s not good management,” says Button. “There will be differential cuts, based on greatest need and greatest opportunity. That’s why part of the budget cycle and budget request is that (budget managers) identify and link with the strategic plan. That will help us make those differential cuts.”

There are a number of areas units have been asked to look at for efficiencies. These included eliminating or consolidating very small course sections or those that generate little student demand; streamlining organizational structures, reviewing subscriptions, memberships and association fees; and encouraging faculty to apply for more external grants.

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Universities feel the financial pinch

Universities across Canada have been forced to make cuts to their budgets because of the 2008 economic meltdown, the resulting endowment losses, reduced government funding and in some cases enrolment challenges.

“I think we’ve been in a 30-year period of belt-tightening,” says Ken Steele. “I would be surprised if there are many institutions that can find fat to cut. I think they are at the point where they have to make amputations in order to keep the rest of the institution healthy. There is really only so much one can cut.”

Steele is the senior vice-president (Education Marketing) for Academica Group, Canada’s largest research-based marketing consultancy that focuses exclusively on the higher education sector. He is also the

creator and editor of *Academica’s Top Ten*, a free daily news summary.

According to Steele, the economic collapse resulted in approximately \$3 billion in losses for Canadian universities, including budget deficit announcements, foundation and endowment losses and pension plan shortfalls.

Many have responded to this financial strain, he adds, by slowing construction, deferring maintenance, imposing restrictions on faculty and staff in the form of salary increases and travel, freezing new hiring and in some cases imposing layoffs.

The University of Calgary suffered nearly \$80 million in endowment losses, for example, and announced last year that it would need to cut 200 jobs in order to save \$14 million. This, coupled with three per



Ken Steele sees challenges ahead for Canadian universities as they try to balance their budgets after the 2008 economic meltdown. Steele is the senior vice-president (Education Marketing) for Academica Group, Canada’s largest research-based marketing consultancy that focuses exclusively on the higher education sector.

cent cuts across the board, still left the institution looking at a deficit of at least \$50 million by 2012.

The University of Western Ontario also made job cuts. Last March, it made a plan to cut 114 full-time positions because it was faced with an \$11 million loss on investments and

a \$41 million deficit by 2011.

“Most Canadian universities have been implementing across-the-board cuts,” says Steele. “So Queens (University), for instance, said ‘we will cut 15 per cent over the next three years — so five per cent a year across the whole budget. It’s nice and egalitarian. It’s just

the Canadian way. Cut everything equally.”

“It isn’t wise to do that,” Steele cautions. “If you are going to have to make cuts, it’s better to make some surgical, strategic cuts rather than across-the-board cuts that effec-

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Writ Large

Ray Konecni
Director
Information Services

It's not every day that we have the opportunity to choose an environmentally-friendly act that also directly benefits our institution's bottom-line. However, staff and faculty have exactly that opportunity right on their doorstep - or should I say right on their desktop. The potential savings involved is not insignificant. Together, we have the opportunity to cut our expenses by \$200,000 while conserving up to 500 trees per year. (In 12 years, that would be almost every tree on campus).

What item on our desk is killing trees and costing the University big bucks? It's our desktop printer, and this benign-looking device is not so harmless when it comes to the environment or the U of R's finances. In 2008, the University hired an external consultant to review our practices regarding print on campus, and the results were sobering. We (staff and faculty) are using twice as many inefficient printers and consuming 50 per cent more paper than our university counterparts across Canada! And that's before we consider the energy consumption of all these printers or the environmental impact associated with manufacturing that much more paper.

I have worked in an administrative office for about 25 years, and like you, have printed thousands of documents. We rarely take the time to think about what natural resources are consumed to print that piece of paper. It takes about 12 ounces of water (or a Tim Horton's medium coffee) to produce one sheet of paper. And that laser printer on your desktop consumes more electricity in a year than your oven at home. We haven't even considered the greenhouse gas contribution yet. Putting it in this perspective, maybe sharing a printer or printing on both sides of the page isn't such a terrible thing any more.

How do we change these unfavourable statistics? According to the 2008 review, there are three things that each of us can do on a daily basis if we want to be active participants in this dual benefit strategy:

- Share printing devices with our co-workers. Even three people sharing a print device can reduce our cost per page by 33 per cent.
- Print less often and print more efficiently. Before you print, consider, black and white instead of colour, two-sided instead of single-sided, or if you really need to print that document?
- Recycle, recycle, recycle. The use of 100 per cent recycled paper will contribute greatly to reducing our carbon footprint.

mâmawohkamâtowin, the Cree word incorporated into our University's five-year strategic plan, is defined as "co-operation; working together towards common goals." By working together to incorporate the recommendations from the 2008 print review, we can move from the back of the pack to become a nationwide leader in campus print efficiency. Perhaps we can also breathe a little easier knowing that we are each doing our best to improve our dismal track record in this area.

Writ Large is written by campus leaders and is intended to challenge readers to engage with and learn about the various 'parts' that make up the wider University of Regina community and connect us to the world. If you have a topic suggestion for Writ Large, please e-mail UofR.Report@uregina.ca and include your contact information. Please put "U of R Report" in the e-mail subject line.

– from page 1 *Successes* **Research**

University researchers receive funding to support their activities from several federal granting councils: the Canadian Institutes of Health Research (CIHR), Natural Sciences and Engineering Research Council of Canada (NSERCC), and the Social Sciences and Humanities Research Council (SSHRC). From 2000 to 2004, the total of these tri-council grants to University of Regina faculty grew by 56 per cent. In the next four years, however, the amount dropped off and then slowly recovered so that the amount in 2007-08 was only three per cent greater than the 2003-04 total.

These funds are important not only because they support research and graduate students but also because they affect the University's operating revenue. Universities receive indirect cost-of-research

(ICR) grants from the federal government, based on their total granting council funding. These ICR grants help fund services for research activities; for instance, they support the research institutes and library collections.

"Our operating grant is also surprisingly sensitive to that federal research funding and, because our research funding from the tri-councils has not in recent years kept pace with that from the University of Saskatchewan, our operating grant from the provincial government this year is about \$1.2 million lower than it would have been otherwise," says Brian Christie, associate vice-president, Resource Planning.

For this reason, the University is encouraging faculty to make use of Research Services programs to assist them in finding opportunities and improving

their application success rates. "It's important for scholars to get into that avenue because, once you are in your position for a while and you are not getting funding, it's hard to get back into the funding stream."

Staffing

One of the few areas of flexibility available is staffing. Seventy-five per cent of the University's expenditures are salaries. While a full hiring freeze has not been instituted, a deliberate review of open positions has started.

"I'm confident that we will be able to balance this year's budget overall," says Button. "But what we needed to create was some flexibility for next year. Looking at vacant positions and not filling them if they are not critical — it gives us flexibility and is identified as a savings for the upcoming budget."

– from page 1 *Successes*

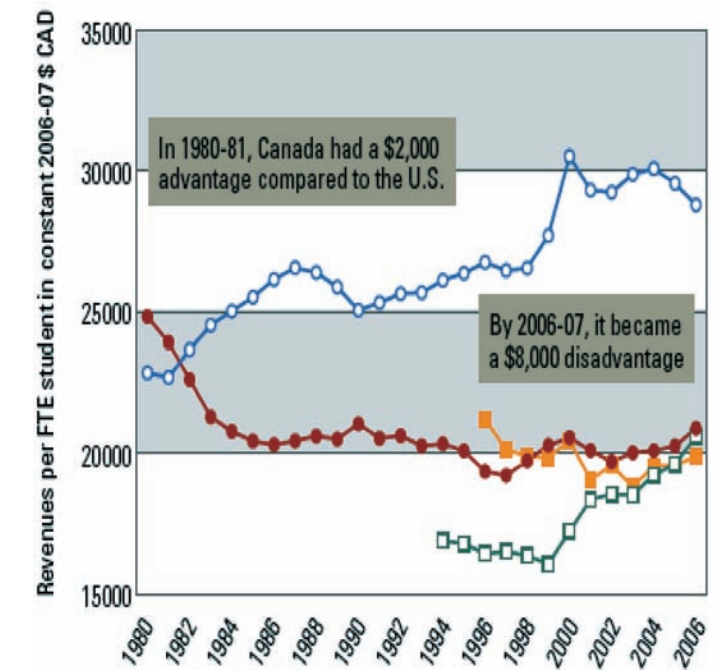
tively say 'we are going to try and keep doing everything we are doing, but do it less well than we did before.'

The institutions that have been left relatively unscathed have been those that did not rely on their endowment funds to support their operating budgets.

"I think the more endowment-reliant you were the more rapidly this impacted you and now its government cuts that are impacting," says Steele.

Steele adds that in the 1980's Canada has funded university students \$2,000 more per head than American schools on average. In 2006, Canadian universities were at an \$8,000 disadvantage per head.

"Because American institutions use tuition so much to bolster their finances and Canadian institutes have generally not done that, cuts in government funding and caps on tuition increases end up meaning that we have fewer resources," says Steele. "So, it means we are either increasing class



FTE: Full-time equivalent
Source: Academica Group (AUCC, using StatsCan data, NCES, HESA, and DEST data)

sizes, paying our people less or we are doing less. Ultimately, it's going to hurt us, and it's going to hurt us a little bit more than American institutions."

The decrease in available resources has also given international institutions an opportunity to catch up.

"Indian and Chinese institutions are advancing rap-

idly on our dominance. So, there is a way in which the economic meltdown may contribute or accelerate a levelling of the playing field internationally. AUCC (Association of Universities and Colleges of Canada) data has consistently charted the closing gap."

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Number of credit hours taught important to university budget

Some of the mystery can be taken out of how the University funds its operating costs by understanding how the funding model works.

“The model essentially divides up a pie between the two universities (U of R and the University of Saskatchewan),” explains Keith Fortowsky, manager of institutional research in the Office of Resource Planning.

“The universities individually make their budgetary cases to the province through their operations forecasts. The province then decides on a budgetary amount for the sector, and the model divides it up, based on activity rates for the two universities. This approach promotes a lot more collaboration, stability and the ability to plan.”

Before the money is divided between the two universities using the

funding model, a portion of the provincial funding is allotted to the University of Saskatchewan’s College of Medicine and the Western College of Veterinary Medicine.

In the 2008-09 funding, this equated to \$37 million, or 13 per cent, of the \$279 million given to the sector.

The University of Regina received 31 per cent of the remaining \$242 million of the pie and the University of Saskatchewan received 69 per cent.

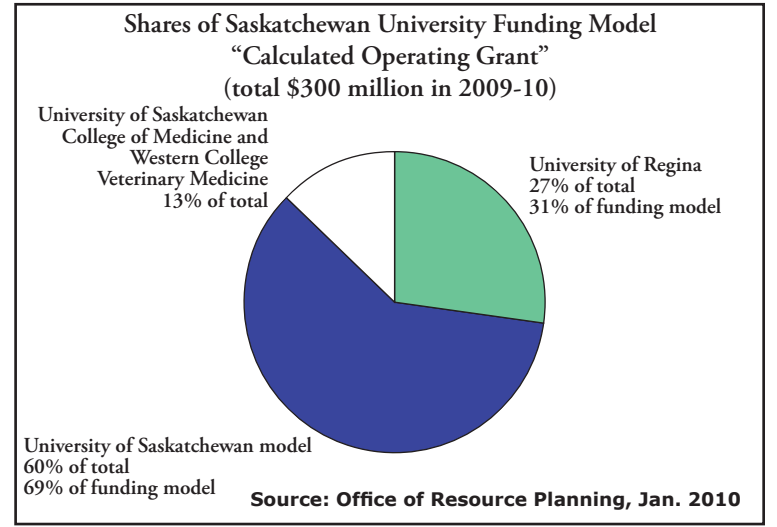
The 31 per cent of the pie that the U of R received accounted for approximately 60 per cent of its annual operating budget.

“About half of the model is driven by what is called weighted FLE — Full Load Equivalents,” explains Fortowsky. “Basically, we take all of the credit hours taught and divide by a full load. For

an undergraduate, this is 30 credit hours. The graduate student calculation is more complicated. It’s a way of counting students. Of course, that number is always a lot smaller than the head count because it’s a full-load student. Not all of our students are full-load.”

So, when the number of credit hours taught increases, both the revenue the University receives from tuition and the FLE-driven part of the funding model increases. The FLE used for the model is based on a five-year average, and the data is one year old by the time it is added to the average. So, while changes in FLE have an immediate effect on tuition revenue, the effects on funding model revenue are spread out over the next five years.

Ten years ago when the model was established, a study was done to create “discipline



weights”. By doing this, the model takes into account that some courses cost more to provide than others. In other words, credit hours accumulated in a high-cost discipline account for more in the funding model.

A typical undergraduate humanities course, for example, is less costly to offer than courses such as dentistry, which require small class sizes and expensive equipment.

For this reason, the University of Saskatchewan receives a larger share from the provincial government, relative

to the U of R, than just the difference in the number of students would warrant.

“The University of Saskatchewan tends to have more of the high-cost, high-discipline-weight programs,” says Fortowsky. “They have more engineering students than we do; agriculture, being an applied science, has a higher weight than typical sciences; and, they have all of the high cost things like pharmacy, dentistry, nursing. Their weighted FLE share is a lot bigger than just their share of students.”

Enrolment increase amazing accomplishment: Christie

One of the bright spots this year has been the increase in student enrolment numbers after a long period of decline.

Over the four years ending in 2008-09, the University experienced a 15 per cent decrease (or \$6 million loss) in tuition revenue. The 2009-10 budget assumed another 1.5 per cent decrease would occur.

However, during both the 2009 fall term and the 2010 winter term, student head counts and the number of credit hours taught have increased. The winter numbers were up by more than two per cent at the end of the second week of lectures.

“It’s quite an amazing accomplishment when you think about it,” says Brian

Christie, associate vice-president, Resource Planning. “As a result of that four-year history, there was a momentum of decline built into our enrolment structure and yet we have turned it around and actually increased the numbers in one year. It’s quite amazing. It’s a remarkable accomplishment by the people who have been recruiting and retaining students.”

International student enrolment

The number of international undergraduate students now enrolled at the University is also up; international enrolment has increased since last year by more than three per cent.

This is despite a tuition

increase of more than 30 per cent for international undergrads.

“Tuition went up because we increased the differential fee for undergraduate international students to a level corresponding to that of the University of Saskatchewan and other universities. We had been prevented from doing that for four years by the government tuition guidelines,” explains Christie.

“So there was a pent-up pressure to get back to where the marketplace is. Our international differential fees were very low compared to the norm for the universities that charge them.

“There was a concern that that would have a negative



During both the 2009 fall term and the 2010 winter term, student head counts and the number of credit hours taught have increased. The winter numbers were up by more than two per cent at the end of the second week of lectures.

impact on international enrolments and that has not been the case. I think it speaks very strongly to the reputation that we have in those international markets.”

Tuition

The University also continues to have one of the lowest undergraduate tuition rates in the country.

“The often-cited number is the number that Statistics Canada publishes for average undergraduate tuition in the province, which makes Saskatchewan appear higher than it actually is when you look at the actual fee rates,” says Christie. “The problem is that the StatsCan definition of undergraduate includes medical students, dental students, veterinary medicine students, pharmacy and law — a number of the high cost programs, and Saskatchewan has a higher proportion of those students.”

Tuition revenue is used by the University to do things

such as provide adequate services and supports for students.

“It’s important we don’t starve important services in the University just for the philosophical principle of keeping fees low when there is no evidence that helps accessibility,” says Christie.

Christie adds that, according to studies done by groups such as the Canada Millennium Scholarship Foundation and Statistics Canada, tuition fees are not as large a determinant of university attendance as factors such as a student’s parental education, preparation, ambitions and expectations.

“There are certainly better ways of providing the financial support lower income students need than a general fee constraint. It’s a very ineffective way of providing funds.”

More bursaries, he adds, would be a more cost-effective and targeted option.

Table 6: Tuition (Average of 1st year Arts program by province)

University/Region	Average Tuition	Average Tuition & Additional Fees
University of Regina	\$4,548	\$5,105
University of Saskatchewan	\$4,511	\$5,200
Alberta Universities	\$5,011	\$5,751
BC Universities	\$4,362	\$5,174
Manitoba Universities	\$2,862	\$3,550
Ontario Universities	\$5,468	\$5,947
Quebec Universities (English speaking)	\$5,460	\$6,699
Nova Scotia Universities	\$5,901	\$6,648
New Brunswick Universities	\$5,651	\$6,224
Memorial University of Newfoundland	\$2,550	\$3,091
University of PEI	\$4,710	\$5,531

Source: University of Regina, Office of Resources Planning

Effects of the 2008 market collapse still felt

Conservative budgeting practices helped the U of R fare better than most universities in the aftermath of the 2008 market collapse, however, there were still a number of areas affected, including the trust and endowment fund, scholarships and pensions.

Trust and endowment fund

The trust and endowment fund lost 21 per cent after the 2008 crash. This loss, however, did not significantly affect the operating budget because it is structured in a way that does not rely heavily on investment income from that fund. As well, the preliminary investment returns for the fund for 2009 are approximately 20 per cent.

“Our trust fund, like all of the other trust funds in the country, took a significant hit in 2008. But, given that the Canadian stock market was down over 30 per cent, diversification within the fund kept us from going down as much as the market,” said

Dale Schoffer, associate vice-president (Finance).

The University primarily uses its endowment to fund scholarships, based on a long-term strategy.

“Without a doubt, there was a loss in 2008, but it can be managed within the policies. The long-term health of scholarships won’t be affected. We did in fact have some ties to our operating budget from the interest in the endowment fund but the magnitude was only about \$125,000. But that is nowhere near the tens of millions that some universities

“Our trust fund, like all of the other trust funds in the country, took a significant hit in 2008. But, given that the Canadian stock market was down over 30 per cent, diversification within the fund kept us from going down as much as the market,” said Dale Schoffer, associate vice-president (Finance).

suffered because they relied on investment income to fund operations.”

A number of Canadian universities have endowments that exceed a billion dollars — University of Toronto and University of British Columbia are two. The University of Regina has \$40 million in its fund.

“The larger the endowment, the more widespread the uses of those funds are, and a number of those universities have come to the point where they rely on the investment income from the endowment to fund operating activities,” explains Schoffer. “So, when the markets are down, it takes a real chunk of cash flow out of the operating budget.”

“So those are some of the real horror stories we heard both in Canada and the US. Suddenly there were huge, 100 per cent revenue shortfalls from part of the budget because that money didn’t exist. In fact, all of their returns were all negative. That’s not our case.”

Scholarships

The University’s trust and endowments are structured in a way that guarantees scholarships continue to be paid in perpetuity.

If someone gives the University an endowment of \$100,000 to create a scholarship, for example, the University awards a scholarship based on five per cent of the average three-year balance of that money. This type of arrangement creates an annual scholarship worth \$5,000.

The long-term expected return on a \$100,000 endowment is seven to eight per cent. After five per cent is taken to award the annual scholarship, two to three per cent is left over. This remaining amount goes back into the principle to increase the amount from \$100,000 to \$102,000. This practice helps combat inflation.

However, in a situation like the 2008 economic collapse, what happens is the \$100,000 investment stops making the anticipated seven or eight per cent. In that case, the University doesn’t eliminate the scholarship, but it may decrease the amount the scholarship is worth.

“One difficulty we’ve got is, and it’s common to all universities, is that long-term rates of return aren’t as high as they used to be, compared to the last five, 10, 20 years,” explains Schoffer.

“So, the five per-cent investment projection number is under review and has typically already been changed



The University was spared, to some extent, from the 2008 market collapse because of its conservative budgeting practices. However, it was not entirely unscathed. Its trust and endowment fund, scholarships and pensions are still recovering.

at most Canadian universities. We have seen that the five per cent has decreased to four per cent. This would make a little less money available for scholarships now but the scholarships will still be available forever.”

Pensions

Both of the University’s pension plans — the academic and administrative, as well as the non-academic plan — experienced a deficit at the end of 2008.

The non-academic plan, which is the plan most CUPE members have, required that the University file an actuarial report Dec. 31, 2009. An actuarial report outlines the current conditions and future requirements of a pension fund to meet its obligations.

“The province brought in temporary solvency relief for certain pension plans,” explains Schoffer. “What that means is our actuarial evaluation as of Dec. 31, 2009 will probably show that we still have a deficit. They are giving us relief for three years to eliminate that deficit. So, one of the ways we

are doing that is by increasing the contributions made by both employee and employer.”

The University and CUPE agreed to increase contributions as of Jan 1, 2010. Before the agreement, employees and their employer contributed 6.5 per cent each. That contribution has now been increased to 7.75 per cent.

“Comparatively, we’ve done okay with the pension plan, but we still have issues to address. The bad news is both plans have deficits. The good news is we have been able to accommodate that by the increased contributions, the improved investment returns in 2009 and the solvency exception. And the pensions and benefits committees are continuing to examine whatever other options are there.”

The actuarial report for the academic and administrative plan (URFA – APT) is not due until Dec. 31, 2010.

“The pension plan has an extra year to deal with it,” says Schoffer. “So, the good news is again they have the same deficit but good investment returns in 2009, the solvency exemption will apply to it and we are going to be looking at that again this year as well.”

While the trust and endowment fund lost 21 per cent after the 2008 crash, the long-term health of the scholarships it funds is protected because of a strategy that ensures they are paid in perpetuity.

(endnote)

