

# Fairness in Nova Scotia University Funding

Who Pays and How Much?

students 

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1673 Barrington St. Halifax, NS B3J 1Z9

# Abstract

In this paper *StudentsNS* takes a holistic look at student fees and provincial funding with an eye to creating a fair funding structure for Nova Scotia's universities. To do this, the paper explores the *university system-funding envelope* (USFE), which includes provincial operating grants, student tuition and fees, and all other sources of university revenue. We find that the university system has a number of systemic strengths, including relatively high funding levels, strong institutions providing excellent educational programs, and well-engaged stakeholders. At the same time, we face systemic challenges. The funding capacity of both students and the Province is limited. Institutions are becoming more reliant on harder-to-recruit students (e.g. international and out-of-province students) to maintain enrolment. There is a palpable lack of trust amongst key university system stakeholders (especially around financial issues) and Nova Scotia's students are too often excluded from decision-making, even though we are now the primary funders. And, at the same time, Students have come to expect more services to support their wellness and success, which has expanded institutions' mandates and compounded resource pressures. The recommendations in this report are designed to address these challenges by: [1] reducing the heavy and growing financial burden placed on students through tuition and student fees and making related policies more equitable for all students; [2] stabilizing the growth of university system funding and spending so that students, universities, and government can conduct long-term planning; [3] further expanding transparency and accountability in the university system by establishing clear expectations for financial reporting and student fee structures; [4] clarifying the financial and service responsibilities of PSE stakeholders; and [5] generating incentives for institutions to control costs and support provincial prosperity.

**AUTHORS:** Bob Parker (*StudentsNS*  
Director of Research)

**CO-INVESTIGATOR:** Alexis Zederayko  
(*StudentsNS* Researcher)

**BOARD REVIEWER:** Patrick Carruthers,  
Vice-President Finance, Saint Francis  
Xavier University Students' Union

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BOARD OF DIRECTORS:** April 25, 2013

**STUDENTS NOVA SCOTIA**

1673 Barrington St.

Halifax, Nova Scotia

B3J 1Z9

Tel: 1 902 422 4068

Web site: [www.studentsns.ca](http://www.studentsns.ca)

# Recommendations

In the 2015 Memorandum of Understanding agreement with the universities, the Province should commit to regulating tuition for all students, including professional and international students.

The Province should regulate tuition fees to be nominally frozen (0% growth) unless post-graduate labour market conditions are sufficiently strong. To increase tuition by the rate of inflation, the differential between employment rates among Nova Scotia's university-graduate-age (20-24 year olds) and working age (25 and over) populations could not exceed 8.5%. Every 1% increment above an 8.5% differential should equate to a 0.5% decrease in the tuition growth rate.

The Province should make the Nova Scotia University Student Bursary program permanent and index its value to any growth in tuition fees.

The Province should strengthen and strictly enforce ancillary and auxiliary student fee rules in the following ways:

- i. Tuition and all other fee types should be clearly defined so that all compulsory student fees are easily distinguishable from tuition with respect to the goods and services they may fund.
- ii. Residence or meal plan fees should be limited to market prices for similar goods and services.
- iii. With respect to standard ancillary fees or their program-specific equivalents, all new fees or increases beyond the rate of inflation must be approved through a clearly defined formal student approval process that is agreed upon by the institution and its student associations.
- iv. All fees must be subject to periodic review or pre-defined term limits, particularly project-specific fees.
- v. The value of fees that contravene these policies should be removed from offending institutions' operating grants.

Students should be provided the estimated total cost of their program at admissions, based on normal program length, projected fee increases, and other reasonably predictable factors, with precise updates well in advance of each academic year.

University operating grants should increase annually at the higher of either the real GDP growth rate or the provincial rate of inflation.

The Province, universities and students should undertake a full and transparent public review to determine which student services may not be covered under university operating grants and establish provincial, institutional or student responsibility for funding these services.

The Province should establish standards for universities' annual financial reporting to the government and students, whereby data is presented in a mutually agreeable format, the collection and disbursement of tuition and all other fees is clearly itemized and 'operating revenue' is precisely defined.

# Statement of Values

Students Nova Scotia is built upon the belief that post-secondary education can play a fundamental role in allowing both the individual and society to realize their full potential. Students Nova Scotia's values are pillars built upon this foundation. They give direction to Students Nova Scotia's work and reflect our organizational goals.

**ACCESSIBILITY:** Every qualified Nova Scotia student who wishes to pursue post-secondary education should be able to do so, irrespective of their financial situation, socioeconomic or ethnic background, physical, psychological or mental ability, age, sexual orientation, geographic location, or any other factor exogenous to qualification.

**AFFORDABILITY:** The cost of post-secondary education in Nova Scotia should not cause undue hardship upon any student, restrict their ability to pursue the career path they choose, or make them financially unable to live in the community of their choice.

**QUALITY:** The Nova Scotia post-secondary system should strive at all times to provide the highest possible quality of education to its students, fostering student success.

**STUDENT VOICE:** Nova Scotia students must be empowered to actively participate in setting their post-secondary system's direction via engagement through their representative student bodies, within the post-secondary institutions themselves, and through the broader democratic process.

# Our Research Process

Position papers are the primary outputs of our research. They aim to describe and clearly articulate Students Nova Scotia's *Principles* in approaching an issue, and *Concerns* that obstruct the realization of those principles. Finally, we propose *Recommendations* aimed at addressing the policy issues (and our specific concerns) in a manner that is consistent with our organization's values.

The Students Nova Scotia Board of Directors is comprised of student representatives from our six member associations. It sets annual priorities for Students Nova Scotia activities, including research. Position Papers represent formal Students Nova Scotia policy and are approved by the Board of Directors at bi-annual Board Policy Retreats, following a draft's one-month release for consultations with students.

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# List of Common Abbreviations

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AAU – Association of Atlantic Universities

AST – Atlantic School of Theology

CBU – Cape Breton University

CONSUP – Council of Nova Scotia University Presidents

CST – Canada Social Transfer

CUSC – Canadian University Survey Consortium

MPHEC – Maritime Provinces Higher Education Commission

MOU – Memorandum of Understanding

MSVU – Mount Saint Vincent University

NSCAD – Nova Scotia College of Art & Design

NSUSB – Nova Scotia University Student Bursary

OECD – Organisation for Economic Cooperation and Development

OOPUSB – Out-of-Province Student Bursary

PSE – post-secondary education

SMU – Saint Mary's University

StFX – Saint Francis Xavier University

StudentsNS – Students Nova Scotia

USA – Université Ste. Anne

USFE – University System Funding Envelope



# 1. Introduction

University funding has long been a hot-button issue in Nova Scotia, but especially in the five years since the 2008 global financial crisis. In 2009, the newly elected government committed to balancing the provincial budget in its first term and has since undertaken broad cost-cutting measures. The portion of annual public operating funding to universities has been reduced significantly over the past two years (4% and 3%, respectively), with a promise of a further 3% reduction in 2013-14 (Jackson, 2012; *StudentsNS*, 2012).

Predictably, the cuts to universities have been controversial. The government has received an onslaught of impassioned criticism from universities claiming they are now underfunded, from students bearing the brunt of funding cuts through fee increases and diminished services, and from faculty confronting a tough labour environment. Universities have come under fire from students, faculty, and government for overspending, administrative waste and, in some cases, outright mismanagement. University administrators have publicly criticized faculty and staff for making unrealistic demands during collective bargaining. Finally, university administrators and government have criticized students for being too focused on tuition costs at the expense of other important systemic issues.

Regardless of whether these views are accurate or fair, together they point to a fundamental basic lack of trust amongst key university stakeholders, especially around financial issues. While Nova Scotia's economy is certainly lagging,<sup>1</sup> there is little consensus, for example, about how to *or even if* we should try to cut costs or achieve greater economic productivity from the university sector. At this critical time, the level and tone of disagreement over basic facts is especially destructive. We must work together to strengthen the university system and the Province or may risk losing much of what we have built.

It may not be possible, or even desirable, to achieve a full consensus on all PSE issues. It is, however, absolutely necessary to develop a fuller understanding of how our university system is funded, how this relates to students' ability to pay

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<sup>1</sup> Nova Scotia currently has the slowest growing economy in Canada, at 1.5% real growth in 2012 (Source: Conference Board of Canada, 2013).

and the fiscal position of the Province, and what all of this portends for our PSE system's future. To begin this process, *StudentsNS* believes that all key university stakeholders must consider the following key foundational questions more seriously than ever before.

1. *How much does our university system actually cost?*
2. *Who pays these costs?*
3. *Who benefits from our universities and do we receive good value for our money?*
4. *Do we actually spend enough to achieve our goals for the system and the Province?*
5. *What should we do differently?*

This paper provides answers to these questions by examining the entire *university system-funding envelope* (USFE) including the provincial operating grants, student tuition and fees, and all other sources of university revenues. Our key findings identify systemic strengths and challenges, while also highlighting a number of important opportunities.

- In addition to high tuition, many Nova Scotia students continue to face significant student debt upon graduation. Meanwhile, nearly all graduates face an inhospitable labour market, including high unemployment and long-term wage scarring (Schwerdtfeger, 2013; Statistics Canada, 2013, Tables 282-003 and 282-0087), that promise to reduce students' returns on investment in education. The financial challenges faced by multiple cohorts of graduates increase the risk of outmigration and may inhibit those graduates that do stay from pursuing other personal goals that are also public goods (having children, buying a home, starting a business, etc.).
- Nova Scotia students are excluded from important discussions and decision-making on key policies with respect tuition and other student fees, even though they are the university system's primary funders (providing nearly 40% of revenues). Student representation on select MOU Partnership Working Groups and institutional budget consultations with students are insufficient in the context of institutional or system-level decisions that often undermine student interests.
- Despite recent provincial funding cuts, Nova Scotia's university system is well

funded: the average Canadian PSE institution ranks 3<sup>rd</sup> in per student spending relative to other OECD countries (OECD, 2012a). Furthermore, the share of provincial government spending on PSE (at 6.4%) actually exceeds that of Canada and all other OECD countries even as Nova Scotia students continue to pay some of the highest fees in the country (Statistics Canada, 2012a).

- Our system's institutions are in varying degrees of financial health (with respect to capital debt and other liabilities), but generally provide strong educational programs with the operating resources available to them. Universities must cope with the practical and financial challenges of a changing student population and expanding mandates to provide high quality student services in addition to teaching and research expertise.

The recommendations in this report would help both to set our university system on more stable financial footing and promote a system-focused approach to strengthening Nova Scotia's universities. Our recommendations help to advance the following specific objectives:

1. To reduce the heavy and growing financial burden placed on students through tuition and student fees and make related policies more equitable for all students.
2. To stabilize and control the growth of university system funding and spending so that students, universities, and government can conduct long-term planning.
3. To further expand transparency and accountability in the university system by establishing clear expectations for financial reporting and student fee structures.
4. To clarify the financial and service responsibilities of PSE stakeholders.
5. To generate incentives for institutions to control costs and support provincial prosperity.

## 2. The Cost of Nova Scotia's University System: Who Pays and How Much?

In the 2011-12 academic year, the entire Nova Scotia *university system-funding envelope* (USFE) amounted to over \$1.1 billion.<sup>2</sup> As Figure 1 shows, more than one third (34.0%) of this revenue comes directly from students through tuition and other fees. Accounting for revenues from ancillary service fees, such as residence and food services (another 5.3%), student contributions comprise nearly 40% of total funding. Meanwhile, the Provincial Government's contribution (34.4%) is roughly equivalent to tuition and fees. Remaining revenues (27.5%) come from a combination of other sources, including grants and/or contracts with other organizations (e.g. governments, foundations, corporations), gifts, earnings on investments, and miscellaneous minor sources. Some of these 'other' revenues may be irregular and/or restricted to specific purposes.

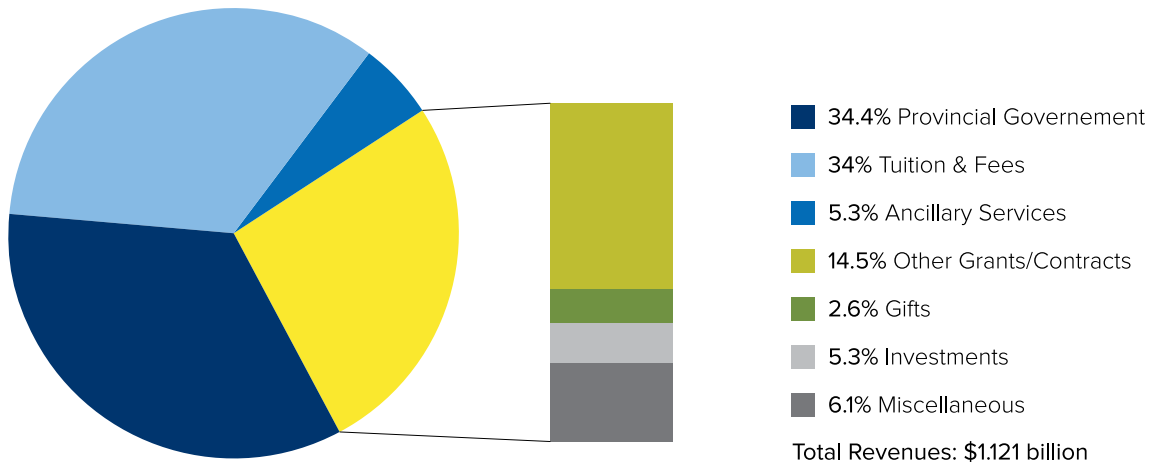
**PRINCIPLE:** The cost of post-secondary education in Nova Scotia should not cause undue hardship upon any student, restrict their ability to pursue the career path they choose, or make them financially unable to live in the community that they choose..

**CONCERN:** Nova Scotia students pay the largest share of the university system-funding envelope through tuition and student fees and that share continues to grow.

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2 This takes into account all revenues sources for which data is available. Fiscal Year 2011-12 is the last year for which final financial data is available for all Nova Scotia universities and is, therefore, the base year for most calculations and projections in this paper unless otherwise noted. The total USFE figure is only an estimate due to significant variability across different data sources, which challenges efforts to make comparisons and/or aggregations of data. All uniquely identifiable university revenues (save endowments) are included in this estimate (Annual Reports and Financial Statements of the Universities for 2012; Canada Revenue Agency Registered Charity Information Returns for 2012). See sections 5 and 6 for further discussion.

**Figure 1. 2011-12 University System Funding Envelope (Revenue by Source)**



## University Funding since the 1970s: Students on the Losing End of the Trend

Students' current position as the university system's most significant revenue source is the culmination of a long-term trend in Canadian university financing (CAUT, 2012). The share of university funding from provincial governments nationally shrunk from 84% to 58% between 1980 and 2009, while tuition and fees' share increased from 12% to 35%.<sup>3</sup> This trend was even more dramatic in Nova Scotia where government transfers' importance fell from 80% to 48% and tuition and fees' grew from 15% to 41%. These trends were accelerated by provincial deficit-reduction in the early 1990s alongside dramatic cuts to federal-provincial transfers between 1995 and 1998.

Yet, over the same period of time, total university expenditures in Canada increased 195% overwhelmingly due to student fee increases. In Nova Scotia, undergraduate tuition fees increased by 157% between 1992-93 and 2011-12,<sup>4</sup> almost four times the rate of inflation (41%). Meanwhile, it took 19 years before the total inflation-adjusted value of provincial operating grants returned to 1990-91 levels (Table 1), though funding per student remained much lower (\$1,010 less in 2012-13) due to enrolment growth. Funding cuts will bring total provincial operating funding back below 1990-91

<sup>3</sup> University funding and tuition data from CAUT (2012) differ from total system revenue data reported in Figure 1. The latter is based on data that are more recent and more complete for analytical purposes while the CAUT data is included to illuminate long-term trends only.

<sup>4</sup> In addition, the total number of students paying tuition has also grown, by approximately 7,000 annual enrolments, over the same period of time.

levels in 2013-14, likely expanding the per-student funding-gap further in concert with modestly higher enrolment (1.5% in 2012-13).

**Table 1. Provincial Operating Funding Relative to 1990-91 (figures rounded to the near \$10)**

Year	CURRENT DOLLARS			INFLATION-ADJUSTED DOLLARS (1990)		
	Grant Value	\$ per student (all students)	\$ per student (domestic students)	Grant Value	\$ per student (all students)	\$ per student (domestic students)
1990-91	\$209m	\$5,790	\$6,095	\$209m	\$5,790	\$6,095
2007-08	\$259m	\$6,320	\$7,000	\$182m	\$4,450	\$4,930
2008-09	\$289m	\$7,090	\$7,905	\$197m	\$4,830	\$5,385
2009-10	\$317m	\$7,635	\$8,625	\$218m	\$5,255	\$5,925
2010-11	\$348m	\$8,215	\$9,380	\$235m	\$5,535	\$6,320
2011-12	\$335m	\$7,770	\$9,070	\$219m	\$5,080	\$5,925
2012-13	\$324m	\$7,405	\$8,780	\$209m	\$4,780	\$5,670
2013-14	\$314m	-	-	\$199m*	-	-

\*Based on projected inflation-rate of 2.2%

Advocates for increased university funding often point to per-student funding levels to support their case. This is, however, a somewhat misleading metric in the Nova Scotia context. Nova Scotia educates a disproportionate number of university students relative to its resident population,<sup>5</sup> with nearly half (46.5%) coming from another Province or country (MPHEC, 2012a; CAUT, 2012). By calculating provincial funding on a per-student basis and excluding international students (who, as non-citizens, pay approximately the full cost of their education), it becomes apparent that funding per domestic student is much closer to 1990 levels (\$425 less).

It is also sometimes argued that Nova Scotia receives fewer federal dollars per university student because PSE funding under the Canada Social Transfer (CST) is distributed per capita rather than per student (Higher Education Strategy Associates, 2012).<sup>6</sup> However, if we include community college students in this calculation, Nova Scotia's transfers roughly match our share of the national student population (2.72% of CST versus 2.79% of PSE students) (Statistics Canada, 2012b; Department of Finance Canada, 2012).

5 Nova Scotia comprises 2.75% of Canada's population but 3.5% of all university students in the country.

6 Nominally, 25% of the Canada Social Transfer (CST) is allocated to fund PSE (Higher Education Strategy Associates, 2012). Nova Scotia receives 2.72% of the total CST, which is only slightly less than its 2.75% share of the total national population.

The reality is that Nova Scotia has consciously built excess capacity into its university system. As a result, in 2012-13 the system represents a relatively large share of our provincial Gross Domestic Product (3.7% of GDP) and an even larger share of total provincial government spending (6.4%). This share of public expenditure is higher than all of Canada (4.7%) and every other country in the OECD (see Box 1, Table B1) (OECD, 2012a). Thus, the assumption that Nova Scotia ought to invest more into university operating grants merits careful consideration before the money is spent, particularly within the context of a small province with a relatively weak economy and a shrinking tax base. Additionally, greater university funding does not guarantee a more affordable or accessible university system: the United States has the most expensive PSE system in the world, on a per student basis, in addition to some of the highest tuition fees (Box 1).

### **Box 1. University Funding: How does Canada measure up internationally?**

When limited to the Canadian or Nova Scotian statistical trends, it is rather easy to get lost in numbers and conclude that our universities are drastically underfunded relative to the past. If we locate Canada's investment within the international context, however, Canada compares favourably to other OECD countries on a number of resource metrics (see Table B1). For example, our PSE institutions (colleges and universities) spend more per student than all but two OECD countries, reflecting the relatively large pool of public and private resources available to them (OECD, 2012a). Canada's investment in PSE is also relatively generous as a share of total public expenditures or public educational expenditures. Thus, Canadian PSE institutions have more resources than most of their international counterparts.

One point of concern about Canada's approach to university finance is the relative importance of private funding sources, including tuition and fees. On this metric, Canada sits 8<sup>th</sup> highest out of 24 countries and well above the OECD average. While average tuition in Canada is in the middle of the OECD range, this hides wide variability in tuition costs, with Nova Scotia amongst the most expensive Canadian provinces in which to study (see Section 2.2).

**Table B1. Canada's Investment in PSE in an International Context (all figures USD, adjusted for PPP)**

	CANADA AVERAGE	OECD AVERAGE	RANK	COMPARATOR NATIONS
<b>MEASURES OF TOTAL EXPENDITURE ON TERTIARY EDUCATION</b>				
Total annual expenditure per student by tertiary institutions	\$20,932	\$13,728	3 <sup>rd</sup>	1. US (\$29,201) 2. Switzerland (\$21,577)
Total Expenditure on Tertiary Education (Public + Private) as a Percentage of GDP	2.5%	1.6%	3 <sup>rd</sup>	1. US (2.6%) 2. Korea Rep. (2.6%)
Share of Total Public Expenditure on Tertiary Education	4.7%	3.1%	3 <sup>rd</sup>	1. New Zealand (5.7%) 2. Norway (4.8%)
Share of Public Education Expenditure to Tertiary Education	38.0%	23.5%	1 <sup>st</sup>	2. Finland (31.7%) 3. Norway (30.4%)
<b>EXPENDITURE ON TERTIARY EDUCATION, BY SOURCE OF FUNDS</b>				
Share of Total Funding from Public Sources	62.9%	70.0%	22 <sup>nd</sup> (of 29)	1. Norway (96.1%) 29. Chile (23.8%)
Share of Total Funding from Household Expenditures (i.e. Student Fees)	20.2%	30.0% (8 <sup>th</sup> of 24)	13 <sup>th</sup> (of 23)	1. Chile (68.1%) 22. Norway (3.0%) 23. Austria (2.9%)
Share of Total Funding from Other Private Sources	16.9%		3 <sup>rd</sup> (of 21)	1. Korea Rep. (24.8%) 2. Slovak Rep. (18.3%)
Average Tuition Fees	\$3,774 (2009 USD)	<i>No aggregate average available</i> <i>High average fee: Up to \$10,000; Ireland</i> <i>Low average fee: \$0; Czech Rep., Denmark, Finland, Iceland, Mexico, Norway, Sweden</i>		

## Policies Governing Tuition and Other Student Fees

To chart a sustainable path for Nova Scotia's system, we must also fully understand the policies that guide revenue collection. "Getting the Most from Our Universities: A New Approach to System Planning and Funding in Nova Scotia" (*StudentsNS*, 2013) described the mechanisms that the Province uses to allocate universities' operating grants. Here, we focus on policies related to the single largest revenue source for universities: tuition and other student fees.

### TUITION FEES

Tuition regimes have been subject to frequent change and controversy in recent years. Each of the three-year Memoranda of Understanding between the Province and universities (Government of Nova Scotia, 2005; 2008; 2012) contained explicit tuition provisions.

- In 2005, the MOU limited growth to 3.9% for most programs, excepting medicine, dentistry, law, full cost recovery programs (e.g. MBA degrees) and international differential fees.
- In 2008, the MOU froze tuition at 2007-08 levels for most programs, excepting the same programs as in 2005.



- In 2011-12, in the absence of a new MOU, tuition was unfrozen and growth capped at 3%, with previous exceptions still in place. The 2012 MOU maintained these policies, while also committing to a formal tuition review.

Table 2 summarizes these tuition policies, along with corresponding changes to provincial operating grant funding, which is another component of the MOUs. In 2005 and 2008, the MOUs specified the total amounts to be allocated as university operating grants in each year, while in the 2012 MOU the Province agreed only to identify the annual amounts one year in advance.

**Table 2. Recent Changes to Tuition and Fees and Operating Grant Policies (2004-05 to 2013-14)**

ACADEMIC YEAR	TUITION CAP <sup>b</sup>	PROVINCIAL FUNDING	FUNDING CHANGE
	(%)	(\$ million, current)	(\$ million / %)
2004-05	-	\$212	-
2005-06	3.9	\$224	\$8.0 / 5.7
2006-07	3.9	\$236	\$12.0 / 5.4
2007-08	3.9	\$259 <sup>c</sup>	\$23.0 / 9.7
2008-09	0	\$289	\$28.0 / 11.6
2009-10	0	\$317	\$28.0 / 9.7
2010-11	0	\$348	\$32.0 / 9.8
2011-12 <sup>a</sup>	3.0	\$335	(\$11.0) / (3.7)
2012-13	3.0	\$324	(\$11.0) / (3.3)
2013-14	3.0	\$314	(\$10.0) / (3.1)

a. No MOU in place for this year.

b. These figures reflect the policy for the majority of students, as described in the text

c. This figure readjusted from original MOU based on new data (O'Neill, 2010)

In addition to growth caps, a number of other policy changes have been made in recent years to mitigate the impact of high tuition (Labour and Advanced Education, 2011). For example, in 2006-07 the Province directed money from the Federal Infrastructure Trust Fund to a one-time tuition reduction for Nova Scotia students at Nova Scotia institutions (\$440 for full-time students; \$220 for part-time students). More substantially, the Nova Scotia University Student Bursary (NSUSB) was

**CONCERN:** Nova Scotia university system funding from tuition and provincial operating grants is excessively variable and unpredictable.

introduced in 2008 to give tuition breaks of \$761, \$1,022, and then \$1,263 over the following three years (2008) to all university students native to Nova Scotia. In 2010-11, other Canadian students also received a more modest \$261 Out-of-Province

University Student Bursary (OOPUSB). As of 2012-13, these annual bursaries remain in place but require annual budget renewal.<sup>7</sup>

These are generally positive measures, given their role in reducing the cost burden on students, especially Nova Scotians. However, *StudentsNS* maintains important reservations respecting current tuition policies. Given the long-term system funding trends described in Section 2.1, the overall direction of tuition is deeply concerning. With the notable exception of the three-year tuition freeze, existing tuition caps at 3% still allow tuition to consistently rise faster than the average annual rate of inflation, while tuition for some is uncapped.<sup>8</sup> Given that the rate of inflation frequently exceeds growth in real wages and maximum needs-based student assistance, tuition hikes beyond this rate are excessive.

**CONCERN:** Tuition in Nova Scotia is growing faster than the rate of inflation.

Government frequently credits the NSUSB program for reducing the cost of tuition in Nova Scotia to below the national average (Labour and Advanced Education Nova Scotia, 2011) but this is only accurate if you exclude all non-Nova Scotians from the average tuition calculation *AND* assume that the bursaries will become permanent. In reality, nationally comparable data shows that Nova Scotia has the third highest undergraduate tuition in Canada (behind Ontario and Saskatchewan) (see Table 3) and the second highest graduate tuition (behind only Ontario) (Statistics Canada, 2012a). The Province has previously taken exception to the reporting of tuition data that excludes the NSUSB and OOPUSB, suggesting that these assessments are inaccurate (Labour and Advanced Education Nova Scotia, 2012). However, as long as this money is applied as a bursary against tuition rather than a permanent tuition reduction, it remains a temporary and insufficient measure. Ironically, the Province permits universities to apply the annual tuition growth rate (3%) to the pre-bursary tuition amount, thereby permitting still higher growth in annual tuition. If the Province intends to use the after-bursary tuition value in its communications, it should use the same value when making policy decisions with respect to tuition.

**CONCERN:** The value of the Nova Scotia University Student Bursary declines each year because it is not indexed to inflation or tuition growth.

7 The NSUSB was not intended to be a permanent program and is currently subject to annual renewal at budget time (Department of Finance Nova Scotia, 2013).

8 Over the past 12 years, inflation has average 2.15% per year (Bank of Canada, 2013).

Importantly, the NSUSB and OOPUSB have created a *de facto* differential tuition regime for OOP students, who pay \$1,022 more for full-time study than a Nova Scotia resident. This makes Nova Scotia one of only three Canadian provinces to charge OOP differential tuition (Table 3). Average tuition in Quebec is so much lower that the only fair comparison is Ontario, which is also our most significant domestic competitor for new students.

**CONCERN:** The Nova Scotia University Student Bursary is not permanent and could be eliminated at any time, which would cause an immediate and dramatic increase in tuition.

**Table 3. Total Average Undergraduate Tuition and Out-of–Province Differentials, by Province (2012-13)**

	TUITION	DIFFERENTIAL
Nova Scotia*	\$5,934	\$1,022
Newfoundland and Labrador	\$2,649	-
Prince Edward Island	\$5,470	-
New Brunswick	\$5,917	-
Québec*	\$2,774	\$3,690
Ontario*	\$7,180	\$1,680
Manitoba	\$3,729	-
Saskatchewan	\$6,017	-
Alberta	\$5,883	-
British Columbia	\$5,015	-
<b>CANADA AVERAGE</b>	<b>\$5,581</b>	<b>n/a</b>

The strongest justification for differential OOP tuition is that, as non-residents, OOP students and their families do not contribute to our provincial tax base and should, therefore, not be fully subsidized by Nova Scotia taxpayers. In addition, OOP

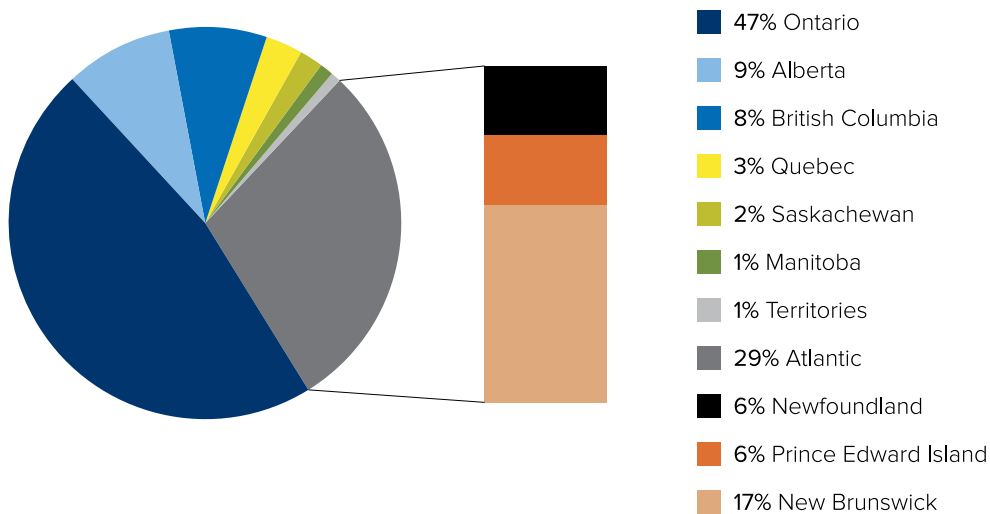
**CONCERN:** The Nova Scotia University Student Bursary introduces *de facto* out-of-province differential tuition.

students are often understood to have more financial resources at their disposal than the average Nova Scotian student, although there are good reasons to be somewhat cautious about this assumption.

- Since 70% of all Nova Scotia university students must borrow to pay for their education (CUSC, 2012), it is safe to conclude that a significant portion of OOP students are borrowers and come from lower income backgrounds.

- Fully 30% of all OOP students come from within Atlantic Canada (Figure 2). Many of these students choose to study in Nova Scotia because it is relatively close to their homes and has spaces available in desirable programs. In general, these students cannot afford an education at any price. Increasing tuition and, consequently, the debt of students from the Atlantic region further aggravates existing regional economic issues, as discussed in Section 3.
- Finally, students from rural locales in other Provinces may face similar costs whether they study in their home province or in Nova Scotia.

**Figure 2. Share of Out-of-Province Students in Nova Scotia, by Province of Origin (2011-12); Total OOP Population: 13,885 students (MPHEC, 2012)**



The 2012-15 MOU commits the Province to consider deregulating OOP tuition. Beyond the issue of financial resources, there are other reasons to be wary of allowing institutions to maximize revenues at OOP students' expense. It is hard to make the case that differential OOP tuition makes Nova Scotia more attractive as a destination for study or settlement after graduation, while we risk alienating potential students on a deeply personal level simply by treating them as "easy money". The enrolment risk increases as other provinces work harder to retain more of their own students for study in-province, notably including Ontario, which currently accounts for 15% of Nova Scotia's total university population. For this reason, miscalculating OOP students' willingness-to-pay for a Nova Scotian education could backfire quickly and catastrophically.

Finally, the practice of applying different tuition growth rules to different groups of students is inequitable. It is generally considered appropriate that certain groups of students (e.g. medical, dental, and law students, MBA students, as well as international students) be expected to pay more tuition than the average undergraduate or graduate student. This is either because these programs have much higher expected returns on investment and are costlier to deliver, or, in the case of international students, because they and their families have not contributed to the tax system that subsidizes domestic students. It is, nonetheless, highly problematic to deny these students the financial protection that regulated tuition regimes afford to their peers. In the absence of such regulation, these students are vulnerable to tuition inflation well beyond the increased cost of program delivery.

**CONCERN:** Professional and international students are not protected by tuition regulation, leaving them vulnerable to inequitable and unpredictable tuition increases

In addition, deregulation makes financial planning for these students unpredictable and increases the likelihood of especially large student debts. At the same time, unprotected students are also left vulnerable to being charged higher fees as a means of subsidizing students who benefit from tuition growth caps.

## Other Student Fees

In addition to tuition, universities also charge a variety of other fees to students for the provision of goods and services. The MOUs (Government of Nova Scotia, 2005; 2008; 2012) divide these fees into two categories: *auxiliary fees* and *ancillary fees* (see Box 2, clauses 13b and 13c for definitions).

### Box 2. Clause 13 of MOU-3 (2012)

With respect to auxiliary fees and ancillary fees,

- a. The universities agree that they will not increase auxiliary fees or ancillary fees within their control to compensate for an inability to raise tuition fees beyond the tuition caps in this agreement;
- b. Auxiliary fees are fees for supplies, equipment, labs, field trips, or other items that students must pay in order to enroll in or complete a program or course;
- c. Ancillary fees are fees for non-academic services such as residence accommodation, food services, health services, and student association.
- d. Auxiliary and ancillary fees will be transparent with regard to the goods and services they are designed to be applied against.
- e. Increases in auxiliary and ancillary fees will not exceed increases in the costs of providing the services or goods provided.
- f. Universities will notify the Department of Labour and Advanced Education of proposed increases to auxiliary or ancillary fees at least four weeks in advance of the approval by the university of the proposed increase.
- g. In circumstances where students are to be faced with compulsory fee increases relating to ancillary operations, recognized student organizations on each campus will be consulted at least four weeks in advance of the approval by the university of the proposed increase. This timing is to allow for effective student input into the proposal prior to the decision.
- h. Any increases that appear to be inconsistent with these principles will be subject to review by the Department of Labour and Advanced Education.

While these definitions of auxiliary and ancillary fees are generally sufficient for university administrations, *StudentsNS* actually identifies four distinct categories of fees:

1. Residence and meal plan fees that are not compulsory for all students. Since students are free to make other living arrangements, these fees may be characterized as truly optional and ancillary to one's education. Nevertheless, these are payments made by students in exchange for particular goods and services delivered by the university or a third-party contractor;
2. Standard ancillary fees that are compulsory for all students, like athletics, student union, technology and facility/infrastructure fees;
3. Auxiliary fees that function like standard ancillary fees for students in specific programs (e.g. Dalhousie's proposed fee for the new architecture building); and
4. Auxiliary fees for specific courses (e.g. laboratory or field trip fees, computer program or course material fees, etc.).

Students in Nova Scotia have demonstrated a general willingness to pay for ancillary goods and services that they value (e.g. student union and society fees, *StudentsNS* membership fees, health and wellness fees). However, the cost of a university education in Nova Scotia is already expensive and increasing. While ancillary and auxiliary fees are sometimes characterized as a minor expense relative to the high cost of tuition,<sup>9</sup> a few hundred dollars means a great deal to those students who must go without, borrow more, or work additional hours to pay them. Fees add up over the course of a full program of study. PSE policymakers simply cannot ignore such an important aspect of the total cost of an education.

The provisions in MOU clauses 13(a) and 13(d) clearly respond to student concerns about overall education costs, while clauses 13(e) through (h) seem to restrict the circumstances under which auxiliary or ancillary fees can be increased and establish a process for initiating such increases. Clearly, the inclusion of these provisions in the MOU reflects a lack of confidence in universities' transparency with respect to some auxiliary and ancillary fees, because these fees are feared as a potential 'back door' to increasing tuition. Whether or not such mistrust is fully warranted, the parties to the MOU (government and the universities) seem to recognize that checks and balances are needed.

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<sup>9</sup> Notable exceptions include much higher meal plan and residence fees (MPHEC, 2012) as well as auxiliary fees for certain specialized programs (e.g. dentistry, medicine, law, theatre, music, etc.).

To assess the practical application and effectiveness of clause 13, *StudentsNS* has reviewed publicly available fee data and financial information on the collection and expenditure of student fees at all Nova Scotia universities over the past 6

**PRINCIPLE:** Institutions have a responsibility to inform students of all predictable costs of their post-secondary education with as much advanced notice as possible.

years (2007-08 to 2012-13), as well as information obtained through freedom-of-information requests. We documented all changes to auxiliary or ancillary fees in any program over this period and reviewed institutional accounting practices that documented fee collection and related program expenditure. Our findings are summarized below.

1. Despite few obvious attempts to circumvent tuition caps (prohibited by clause 13a), some ancillary fees are unjustifiable, including certain information technology and computer fees, administrative service fees, campus/building renewal fees and graduation fees (see Table 4). In our view, access to computing technology, basic administrative services, functional buildings and a degree at the end of your program are minimally essential services that any modern university must provide to students. Each of Nova Scotia's universities offers these services but not all universities levy fees to pay for them. While most of the fees in question existed in some form before the MOUs were created, some have been introduced more recently and some of the older fees would contravene clause 13 (a) if they were introduced today. Notably, while the Province has working definitions of ancillary and auxiliary fees, it has no formal definition for what goods and services are included in exchange for tuition itself, which leaves a grey area for universities to create *ad hoc* definitions for ancillary or auxiliary goods or services.
2. With respect to clause (d), universities are inconsistent in their approaches to documenting the collection and expenditure of fee revenues. Based on data provided through FOIPOP requests, some universities clearly identified auxiliary and ancillary fees as individual revenue and expenditure line items, but in other cases universities grouped fee revenues together with other fees and/or sources of revenue. As a result, it is sometimes difficult to ascertain whether fees collected match the actual cost of the services provided.
3. The observed fee increases were generally modest relative to the size of existing fees, with a few notable exceptions (see Table 4). This suggests that universities are generally compliant with clause (e). In addition, while some



auxiliary and ancillary fees were increased annually, most were subject to irregular increases every two or more years. In addition, most fee increases remained at or below the rate of inflation, other fees were unchanged over five years and still others were eliminated entirely at some point over that period.

4. With respect to auxiliary fees in particular, the frequency, magnitude, and direction of change vary widely from program to program and course to course. As indicated above, most changes to these fees appear to respect the principles laid out in the MOU. However, auxiliary fee practices in some programs (e.g. large new fees introduced in a number of Dalhousie professional programs) raise questions about the existing processes for levying auxiliary fees that require more in depth future study, including consultation with affected students.

**Table 4. Ancillary Fees in Violation of Memorandum of Understanding Clause 13, Respecting Ancillary and Auxiliary Fees**

UNIVERSITY	EXISTING FEES THAT CONTRAVENE CLAUSE 13A	FEE CHANGES THAT CONTRAVENE CLAUSE E
	<i>The universities agree that they will not increase auxiliary fees or ancillary fees within their control to compensate for an inability to raise tuition fees beyond the tuition caps in this agreement.</i>	<i>Increases in auxiliary and ancillary fees will not exceed increases in the costs of providing the services or goods provided. Also note that the rate of inflation from September 2007 to September 2012 was 10.1%.</i>
Acadia	Technology Fund Fee (\$568 per term), Building Fund Fee (\$30 per year)	n/a
AST	n/a	n/a
CBU	n/a	n/a
Dalhousie	Facilities Renewal Fee (\$154.50)	Facilities Renewal Fee (increased by \$64.50 [75%]), Administrative Fee (increased by \$12.10 [67%])
King's	College Fee (\$65.92), Facility Fee (\$154.50), Administrative Fee (\$30.10)	Facility Fee (increased by \$68.50 [80%])
MSVU	Technology Fee (\$50)	n/a
NSAC	Technology Renewal Fee (\$150)	Technology Renewal Fee (increased by \$50 [50%], 2007-2011)
NSCAD	Facility Renewal Fee (\$90), Technology Renewal Fee (\$100), Graduation Fee (\$50 one-time fee)	n/a
StFX	Technology Renewal Fee (\$350), Capital Campaign Fee (\$25)	Technology Renewal Fee (increased by \$50 [17%])
SMU	Campus Renewal Fee (\$34 per 3 credits)	n/a
USA	n/a	n/a

Despite the general compliance of most universities with clause 13, three recent public examples highlight how clause 13 provides insufficient protection to students:

**PRINCIPLE:** Nova Scotia students must be empowered to actively participate in setting their post-secondary system's direction.

1. In an effort to reduce its budget deficit (see Hogg, 2010; Windsor, 2011), NSCAD introduced a number of new ancillary fees in the 2012-13 academic year, which together will total approximately \$200 per student in an average year (MPHEC, 2012b; Willick, 2012a). The specific fees include a facility renewal fee (\$45 per term), a technology renewal fee (\$50 per term), and a one-time graduation fee (\$50). As noted earlier, we do not believe basic information technology or graduation to be ancillary to a university education and therefore these fees contravene the current MOU's 3% tuition cap.
2. The University of King's College has approved a new \$180 ancillary fee, to begin in 2015, which will help to fund a new athletics facility at Dalhousie University (Ketterling, 2012). Students had previously voted against the proposed fee in a referendum.
3. Most recently, Saint Mary's University (SMU) proposed a \$15 to \$20 per course fee intended to fund new athletics facilities.<sup>10</sup> The university held an information session for students where the SMU Students' Association announced it did not recognize the event as a legitimate consultation, yet students were told that the event was their opportunity to provide input and the fee would proceed.

Clauses 13 (f) and (g) do not clearly define the processes for informing government of fee increases and consulting with students. The language of clauses 13 (f) through (h) refers only to "fee increases" and says nothing specific about the introduction of new fees, thus creating a potential loophole. Finally, and most troublingly, the

**CONCERN:** Consultations for the introduction of new ancillary fees or fee increases beyond inflation are not meaningful.

process for government fee reviews referred to in clause 13 (h) is also poorly defined, especially regarding specific actions the Province may undertake when fees contravene any part of clause 13. As a result of these omissions, clause 13 has little force in practice and really exists only as a guideline for university behaviour.

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<sup>10</sup> For a student with a full course load, this amounts to a \$150-\$250 annual fee.

**CONCERN:** The weakness of regulations surrounding the introduction of new ancillary fees allows institutions to by-pass tuition regulations.

This leaves universities to hold themselves accountable for the fees they collect from students, which is not acceptable to *StudentsNS*.

### 3. Re-examining the Benefits of our Universities

The shifting of university costs from government onto students is often justified by pointing to the individual benefits enjoyed by graduates. Students, so the argument goes, are by far the largest financial beneficiaries of the university system because their education assures them expanded lifetime earnings. The government-commissioned O'Neill report (2010) advanced such a claim in reference to Nova Scotia's university system, citing significantly lower unemployment rates among university graduates and an average lifetime earnings premium of approximately \$750,000 relative to a high school graduate (p.81).

**PRINCIPLE:** The Nova Scotia post-secondary education system should strive at all times to provide the highest possible quality of education to its students, fostering student success.

*StudentsNS* does not purport to dispute or minimize the benefits that students derive from a university education. However, the debate over the distribution of costs and benefits from universities cannot be reduced to the formula above. O'Neill acknowledges the difficulty of accurately monetizing the benefits that accrue to "the public" from a more highly educated citizenry and does not attempt to do so (p. 83).<sup>11</sup> In reality, there is no clear consensus about who benefits most from our universities: some economists find that "the non-market and social benefits of education appear to be substantial, perhaps as large as private market returns to education from higher lifetime earnings" (Riddell, 2007).

In addition, while PSE is often framed as a simple investment choice, it is increasingly not a choice at all. In today's skills and knowledge-driven labour market, employers demand credentials. In fact, 70% of jobs created in Canada over the next ten years will require a PSE credential and that number is expected to rise above 80% after 2020 (HRSDC, 2013). Clearly, higher education is a must for most who seek

<sup>11</sup> PSE is essential to developing the human capital needed by individuals and communities to succeed in our modern knowledge economy. Innovation and knowledge creation taking place at universities are clearly linked to a strong research and development sector. Beyond economic outputs, PSE provides people with the critical thinking skills they need to be strong participants in democratic society. More highly educated individuals participate more in their communities and are more likely to vote and to volunteer. Studies also show that educated people tend to be healthier, experience lower rates of depression and mental illness, and report greater life satisfaction irrespective of gender, age or income (OECD, 2012a).

a rewarding career in their chosen field. But the reverse is also true: society as a whole requires individuals with PSE to drive economic productivity and global competitiveness. Both the individual and society will suffer if we fail to invest in PSE.

**PRINCIPLE:**  
Universities and the Province must be accountable to students for the quality of the education they provide.

It is highly relevant to explain why the OECD describes Canada as a “paradox” (OECD 2012a, p. 146-147). Canada has the world’s second most highly educated working age population (see Table 5, Attainment).<sup>12</sup> Based on the education premiums and Canadian labour market demands discussed earlier, one could therefore expect a higher education in Canada would be highly lucrative. However, metrics of labour market participation and earnings tell a different story (see Table 5, Labour Market and Earnings). The OECD, citing work by Statistics Canada (McMullen, 2009), indicates that Canadians with PSE credentials earn relatively lower annual earnings premiums relative to high school graduates (OECD, 2012a). Canada is actually among a small number of countries that experienced a decrease in PSE earnings premiums from 2000 to 2010 (4% less, overall) at the same time that the OECD average increased by 6%. Finally, since 2005, Canada has had the highest percentage of PSE graduates who earn less than median income: 18% of working age adults with a university degree and 23% with a college credential earned less than \$37,766 in 2009 (the most recent year measured).

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<sup>12</sup> Since attainment is already so high, our rate of attainment growth is somewhat slower than average (2.4% v 3.7% OECD average), although it remains significant considering even higher attainment levels amongst the 25-34 year old population.

**Table 5. Selected Outputs from PSE Education System in Canada**

	CANADA AVERAGE	OECD AVERAGE	RANK
<b>TERTIARY EDUCATION ATTAINMENT</b>			
Share of population with a degree (25-64)	51%	31%	2 <sup>nd</sup>
Share of population with a degree 25-34	56%	38%	3 <sup>rd</sup>
Share of population with a degree 55-64	42%	23%	3 <sup>rd</sup>
College Diploma (25-64)	24%		1 <sup>st</sup>
University Degree (25-64)	26%		8 <sup>th</sup>
<b>LABOUR MARKET AND EARNINGS</b>			
Annual earnings premium over a high school diploma (25-64)	38%	55%	25 <sup>th</sup> (of 32)
Annual earnings premium over a high school diploma (25-34)	28%	37%	
Annual earnings premium over a high school diploma (55-64)	55%	69%	n/a

To explain this phenomenon, the OECD notes that a relatively high percentage of PSE graduates are not fully participating in the labour market. Of this low earning, highly educated subpopulation, 43% reported something other than employment as their main activity for the year. Importantly, one of the key factors contributing to low earnings was province of residence: individuals from Nova Scotia, Newfoundland and Labrador, and New Brunswick were more likely to have lower earnings than similar individuals in other provinces. This data suggests that Canada (and Nova Scotia in particular) is underutilizing available skills that are expensive to produce (OECD, 2012a).

Nova Scotia's labour market has been inhospitable to students and new graduates, relative to the rest of Canada and to other countries, since at least 2005. A wealth of other data indicates that recent cohorts of university graduates face a combination of gloomy economic and social realities that cast considerable doubt on the likelihood that returns on PSE investments will track historical trends:

- The labour market for young adults continues to be depressed. The unemployment rate for Canadians aged 15-24 was 11% in July 2008, peaked at 16.2% a year later and has yet to fully recover, sitting at 14.1% as of December 2012. (Statistics Canada, 2013; Table 282-0087). In Nova Scotia, youth unemployment is even

higher: 17.8% as of December 2012.<sup>13</sup> These figures indicate reduced opportunities for students to pay for their education (through summer or part-time jobs) and find suitable work upon graduation.

- Since the 2008 recession, young people have lost an estimated \$10.7 billion in wages due to unemployment (Schwerdtfeger, 2013). Being unemployed or underemployed has long-lasting impacts on career prospects, creating ‘wage scarring’ that can persist over a full working lifetime (Kahn, 2010).<sup>14</sup> It is predicted that wage scarring will cost this cohort an additional \$12.4 billion over the next 18 years (Schwerdtfeger, 2013).
- Today, young Canadians (ages 25-44) are far behind their counterparts from the Boomer Generation (Kershaw and Anderson, 2012). Compared to a reference year of 1976, members of this cohort are twice as likely to have a university degree and work longer hours, on average, for less pay (11% less in inflation-adjusted dollars). It now takes an average of 10 years to save a mortgage down payment and having a child costs approximately \$15,000 in foregone earnings in the baby’s first year, while childcare is in short supply and expensive when it is available. These challenges inhibit many from making important investments or life choices, especially when combined with recession-affected wages and elevated student debt.
- Nova Scotia’s aging population and continued youth out-migration are contributing to a shrinking tax base that will be expected to pay for escalating costs associated with this same aging population (see Section 4). Labour market conditions for new graduates in Nova Scotia remain troubling in the recovery from the financial crisis: 25,000 new jobs have been created for university graduates, but only 2,000 of those (1,500 full-time, 500 part-time) have gone to graduates under 25 years of age (Statistics Canada, 2013; Table 282-003).
- Finally, one factor that will impact all of the above, positively or negatively, is the global economy, which faces ongoing uncertainty and slow growth in the short term (Lowrey, 2013). Taking a longer view, the OECD projects Canada’s aging

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13 More than half of the 430,000 jobs lost in Canada during the recession were by people under 25; and in the recovery so far, youth have gained back a net of 1,300 net jobs while those over 25 have gained over 400,000 (Fong, 2012b). Even more troubling for students is a significant return to the labour market of people over 60, which have accounted for a third of all new jobs since the recovery began in mid-2009. Many of these jobs have been concentrated in the service and retail sectors, a traditional source of part-time employment for youth (Fong, 2012a).

14 Based on econometric modeling, post-graduate unemployment causes an initial loss in wages of 6-7% for every 1% increase in the unemployment rate, with the wage scar sometime lasting more than 15 years.

population to exert downward pressure on growth over the next 50 years (2012b). After experiencing strong growth averaging 2.6% from 1995-2011, Canada is expected to have 2.1% growth until 2030, followed by 2.3% growth from 2030-2060. We are projected to trail global growth until 2030 (3.7%) and slightly lead thereafter (2.2%), when global population aging becomes more pronounced.

Some commentators would have us believe that for youth this most recent recession has had a smaller impact and a quicker recovery than previous recessions (Fong, 2012b; Usher, 2013) and, further, that overall the economy will bounce back so that the present cohort will derive the same economic advantages from their PSE investments as previous generations. Given the evidence above, however, this seems a problematic and potentially dangerous assumption for Nova Scotia.

**CONCERN:** The employment benefits derived from post-secondary education in Canada and Nova Scotia are threatened by significant economic challenges.

Of course, in addition to all of the above looms the issue of ballooning student debt. Between 2000 and 2012, the average debt load of Canadian students graduating with outstanding debt increased by 21% (CUSC, 2000; 2012). Based on the most recent national data comparing data across provinces, Nova Scotia was in a virtual tie with Newfoundland and Labrador as the provinces with the highest average student loan debt, \$35,703 and \$35,672 respectively (Statistics Canada, 2008; based on 2005 data). Of course, a great many policy changes have occurred since 2005, so it is difficult to accurately assess Nova Scotia's current standing. With that said, however, the 2009 CUSC survey found that Nova Scotia still ranked first in student debt at approximately \$30,128; a 13% increase over 2000 (CUSC, 2000; 2009).

Graduates in Canada accrue some of the highest student debt levels in the world. A comparative analysis of eight of the OECD's largest and longest-established student loan systems showed that Canada's student debt levels were second highest relative to post-graduate incomes (behind only the United States) and Canada had the highest debt service ratio (Usher, 2005).<sup>15</sup> Furthermore, while Canada's student

<sup>15</sup> The debt service ratio takes into account average income relative to repayment conditions for the average level of student debt in each country. Repayment conditions included in the comparison were income thresholds, interest rates, amortization periods, and any existing loan forgiveness conditions (Usher, 2005). Study countries included Australia, Canada, Germany, Netherlands, New Zealand, Sweden, United Kingdom (England and Wales), and the United States.



**CONCERN:** Nova Scotia has among the highest student debt levels in the country and in the world.

assistance systems are often thought of as relatively generous, the Nova Scotia Student Assistance Program was long considered one of the country's worst,

if not the worst, by the Province's own admission. Roughly \$23 million in student assistance investments since 2011 has made significant headway in addressing this situation, but student debt continues to be a significant problem for many Nova Scotia PSE graduates.

For Nova Scotia, the most troubling aspect of all these challenges is the threat of further outmigration. In a national survey, recent graduates with higher debt levels reported greater likelihood of leaving their province of study in search of work, with Maritimes students being the least likely to work in-province after graduation (CASA, 2010).<sup>16</sup> Continuing to lose young, capable graduates to other jurisdictions will deny Nova Scotia many significant economic, social and cultural benefits from our investment in PSE and frustrate our best efforts to reverse the Province's economic fortunes.

**PRINCIPLE:** Financing of the university system must reflect the capacity of students and the public to pay without unduly sacrificing other important priorities.

If recent trends are any indication, Nova Scotia's short-term economic prospects are grim. We had Canada's slowest economic growth and highest inflation in 2012 (Conference Board of Canada, 2013; Demont, 2013). Yet, promising opportunities for growth and diversification, such as the Irving Shipbuilding contract, are reason

**CONCERN:** Nova Scotia faces serious economic and demographic challenges in the short-, medium- and long-term

for optimism. To maximize and build upon such opportunities, governments must invest in students through supports for educational success, improved financial security and better post-graduate employment opportunities. If Nova Scotia's students fall behind on these fronts, the whole economy will too, but if we flourish, our province's future will be brighter for it.

<sup>16</sup> Students from Nova Scotia, New Brunswick and Prince Edward Island are less likely to remain in their home province after graduating (32% unlikely versus 18% nationally) (CASA, 2010). In addition, students with high debt were the least likely to remain in their province of study to find a job after graduation.

## 4. Future University Funding: What Will Our University System Cost?

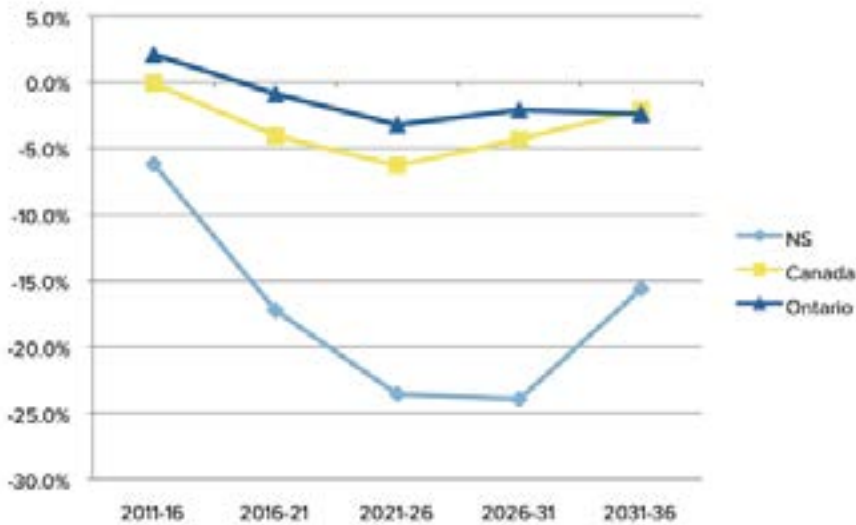
To determine an appropriate approach to PSE funding in the coming years, we must consider the factors that will impact the availability of resources to the system. Some elements are easier to anticipate, including demographic trends and short-term government austerity measures, while others are more difficult to assess and plan for, such as economic shocks.

The aging of Nova Scotia's population is well understood and well underway. Along with the other Atlantic Provinces, Nova Scotia is at the leading edge of the national trend (O'Neill, 2010). As a consequence, Nova Scotia's historically key demographic for university enrolment (18 to 29 year olds) is already in decline and projected to shrink by approximately 36,000 individuals (or 24%) between 2011 and 2031 (see Table 6, Figure 3) (O'Neill, 2010; Statistics Canada, 2010).

**Table 6. Long Term Demographic Trends for Nova Scotia, Canada, and Ontario (1,000s)**

	2011	2016	2021	2026	2031	2036	TOTAL % CHANGE
NS	151	142	125	115	115	118	-21.8
Canada	5,904	5,899	5,664	5,532	5,650	5,777	-2.1
Ontario	2,315	2,364	2,295	2,241	2,267	2,309	-0.3

**Figure 3. Long Term Demographic Trends for Nova Scotia, Canada, and Ontario (% Change in Population, 2011-2036, 5-year increments)**



Similarly, the national population of 17-29 year-olds is set to peak in 2013 and decline by a more modest 4.3% by 2031 (Statistics Canada, 2010). This more gradual shift is due to continued growth in BC, Manitoba, and Ontario. This age category has been growing in BC and Manitoba but both are expected to peak in 2013. Much more significantly, Ontario is projected to add some 77,000 individuals aged 17-29 years old between 2010 and 2017. Finally, in these three provinces, as well as Quebec and Alberta, the prime university cohort should resume modest growth from 2025-2031, while a similar return to growth is not expected for Nova Scotia until beyond 2031 (see Table 6, Figure 3).

**CONCERN:** Enrolment of Nova Scotia students in Nova Scotia universities is already declining and will continue to do so for the foreseeable future.

The upshot of these trends is simple: Nova Scotia’s traditional pool of university entrants is shrinking and will continue to do so for the foreseeable future. Of course, Nova Scotia is heavily invested in PSE, with capacity that already well exceeds local demand. A steadily declining university population could threaten the many economic, social, and cultural benefits that we currently derive from our university system. Nova Scotians, therefore, deserve

an honest assessment of how the demographic shift is likely to impact university enrolment levels and, in turn, alter the university funding landscape.

## **We built it. Will students continue to come?**

The aging of Nova Scotia's population and the decline in university-aged individuals is incontrovertible. Nova Scotia should lose nearly a quarter of its 18-29 year old population over a 20-year period, with greater than 70% of the total decline occurring by 2021, which corresponds to a reduction of 26,000 potential university entrants over the initial 10-year period (see Table 6). In his report, O'Neill (2010) takes a mostly pessimistic view of the potential for Nova Scotia to mitigate enrolment decline by tapping into other potential sources of new university students. In our view, an overabundance of caution leads O'Neill to underestimate the growth potential of some groups, but his overall demographic analysis is sound and points to an enrolment environment in which growth is not at all guaranteed to continue. With O'Neill's pessimism as a backdrop, it is instructive to look more closely at some potential sources of new university students.

### **PRIME UNIVERSITY AGE NOVA SCOTIANS (18-29 YEAR OLDS)**

Over the next twenty years, Statistics Canada (2010) assumes very modest growth in the participation rate of prime university age Nova Scotians (approximately 0.1% per year for 18-24 year olds). To put this in perspective, O'Neill (2010) estimates that Nova Scotia would need to boost its prime cohort participation rate by 3% to 32% and then sustain that rate to fully offset population decline.<sup>17</sup> O'Neill also highlights declining participation rates amongst this group in the latter half of the 2000s. Taken together, these facts make it unlikely that increased participation alone can boost enrolment significantly; but there is some reason for optimism. More recent data suggest that Nova Scotia's overall participation rate for 18-24 year olds has recovered somewhat, once again reaching 30% in 2011-12 (Table 7) (Statistics Canada, 2012c). In addition, the university participation rate for the 25-29 year old group has also increased, reaching 10% for the first time in 2011-12. The overall PSE participation rates of these cohorts (including both university and college students, continue to rise, reflecting the growing importance of Nova Scotia Community College (NSCC) in the PSE landscape. In combination, these data indicate that there may be at least some room to offset enrolment decline amongst the traditional university age group.

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17 A participation rate of 32% represents a 3% increase over O'Neill's rate of 29% (2007-08 is his reference year). As he points out, however, there is recent precedent for greater participation amongst Nova Scotians studying in province, a rate that peaked at 32.5% in 2002 and 2003 and amongst Nova Scotian PSE students overall (32.3-38.8% over in the same years).

**Table 7. Recent and Historical Participation Rates of Nova Scotians in Post-Secondary Education (18-34 year olds).**

YEAR	18-24 YEAR OLDS			25-29 YEAR OLDS			30-34 YEAR OLDS		
	COLLEGE	UNIV	TOTAL	COLLEGE	UNIV	TOTAL	COLLEGE	UNIV	TOTAL
2011/12	10	30	40	4	10	14	3	4	7
2010/11	10	26	36	3	8	11	1	5	6
2005/06	7	30	37	3	8	11	2	3	5
2000/01	9	25	34	3	5	8	1	3	4
1995/96	7	22	29	2	4	7	1	3	5

## UNDERREPRESENTED GROUPS

Any enrolment gains to be derived from increasing participation among certain underrepresented groups could not likely to be substantial enough to offset the overall trends. For example:

- Aboriginal and African Nova Scotians are both underrepresented in Nova Scotia’s universities, but together comprise only a small percentage of the overall population (2.7% and 2.1% respectively) (Statistics Canada, 2012b). For this reason, even relatively large increases in their participation rates would have only a limited impact on overall enrolment;
- The broader category of individuals from low-income families, which includes many Aboriginal and African Nova Scotians, is marginally more promising for enrolment gains, comprising at least 15% of the total provincial youth population (Finnie et al., 2011; McMullen, 2012, Community Foundation-NS, 2011; CAUT, 2012).<sup>18</sup>
- Finally, evidence clearly shows PSE participation rates of young adult males lag behind those of their female peers (Richards, 2011). In Nova Scotia, 58% of university students are female and the remaining 42% are male, while the split for community colleges is approximately 50/50 (CAUT, 2012). Combined with persistent youth unemployment, these data indicate that a large number of boys are currently falling through cracks in our education system.

<sup>18</sup> This is based on Nova Scotia’s child poverty rate, 14.4% as of 2011, as calculated using the Market Basket Measure (MBM) method of determining the low-income threshold. The MBM method defines low income relative to the cost of a basket of essential goods and services.

**PRINCIPLE:** Every qualified Nova Scotia student who wishes to pursue post-secondary education should be able to do so, irrespective of their financial situation, socioeconomic or ethnic background, physical, psychological or mental disability, age, sexual orientation, geographic location, or any other factor exogenous to qualification.

The barriers to university access for each of these groups are significant. For this reason, Nova Scotia cannot rely on these groups for significant enrolment gains. Nevertheless, the very existence of these barriers underlines the importance of promoting equitable access to higher education for all Nova Scotians. This is an important priority for *StudentsNS* and an

eminently worthy objective in and of itself, but not the primary focus of this report.<sup>19</sup>

## MATURE STUDENTS

Like the 18-29 cohort, the population of 30-49 year olds is also projected to decline from now until 2031, further diminishing the pool of potential students (Statistics Canada, 2010). The post-secondary participation rate of 30-49 year olds is historically extremely low in Nova Scotia (below 1%), so this cohort represents a considerable growth opportunity but also a significant challenge (O'Neill, 2010). Again, there is some room for optimism in that Nova Scotia's youngest 'mature students,' 30 to 34 year olds, are now participating in PSE at historically high levels (see Table 7). Even still, there are a number of practical barriers to increasing participation amongst mature students, including higher opportunity costs, lower expected returns on investment and the necessity to compromise on other priorities (e.g. family, finances, volunteerism). Correspondingly, many mature students require additional financial and academic supports to make further studies viable and appealing. Therefore, to attract significant numbers of mature students, government and universities would need to invest in supports to these students and possibly develop more flexible academic pathways for part-time learners. While such changes could be valuable in their own right, mature students cannot be seen as a short-term solution to the overall demographic trends.

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<sup>19</sup> In this paper, underrepresented groups are considered primarily through the lens of their potential to help offset anticipated declines in student enrolment in Nova Scotia. Later in 2013, *StudentsNS* will release additional position papers dealing with financial accessibility to university and other non-financial determinants of accessibility.

## OUT-OF-PROVINCE STUDENTS

Students from other provinces are clearly important to Nova Scotia's university system, with fully 32% of our university students coming from another Canadian province (MPHEC, 2012a). Ontario accounts for 46% of these students and 15% of the total student population and is also the one province projected to continue modest growth in the key university aged cohort until 2017 (Figure 2). For this reason, our toehold in Ontario may help us to maintain enrolment levels. However, Ontario is also among the provinces working hardest to retain more of its own students (O'Neill, 2010). For example, it aims to create 60,000 new post-secondary spaces and has introduced a 30% Off Tuition Grant for native Ontarians and a \$15,000 per year Ontario Graduate Scholarship (Government of Ontario, 2011; Ministry of Education Ontario, 2012; 2013). The stability of Nova Scotia's OOP student population at around 14,000 students (32-33% of the student population) since 2009 may in part reflect Ontario's retention efforts. At any rate, it is unlikely that Nova Scotia will see significant OOP enrolment gains under current conditions.

## INTERNATIONAL STUDENTS

Nova Scotia already attracts a greater proportion of international students than the national average (11.8% vs. 8.7% in 2010-11) (Statistics Canada, 2013; Table 477-0019). Here, it is important to note that the 1.5% total enrolment growth in 2012-13 was driven entirely by international students, with the 695 new international students exceeding the university system's net growth of 654 (Table 8) (Atlantic Association of Universities, 2012).

**Table 8. Preliminary University Enrolment Figures (headcount) for 2012-13 (Source: AAU, 2012)**

INSTITUTION	UNDERGRADUATE			GRADUATE			TOTAL			INTERNATIONAL (FT)		
	2012	CHANGE	%	2012	Change	%	2012	Change	%	2012	Change	%
Acadia	3,607	170	4.9%	647	128	24.7%	4254	298	7.5%	434	51	13.3%
AST	0	0	0.0%	124	-23	-15.6%	124	-23	-15.6%	3	2	200.0%
Dalhousie	14,423	35	0.2%	3,931	64	1.7%	18,354	99	0.5%	2,261	167	8.0%
MSVU	2,923	25	0.9%	1036	77	8.0%	3959	102	2.6%	428	59	16.0%
NSCAD	942	-44	-4.5%	29	2	7.4%	971	-42	-4.1%	118	28	31.1%
Saint Mary's	6,904	222	3.3%	682	68	11.1%	7586	290	4.0%	1,918	282	17.2%
St. FX	4,815	-120	-2.4%	343	-13	-3.7%	5,158	-133	-2.5%	233	-8	-3.3%
Cape Breton	3,140	153	5.1%	204	23	12.7%	3,344	176	5.6%	810	122	17.7%
King's	1180	-70	-5.6%	10	3	42.9%	1190	-67	-5.3%	43	-5	-10.4%
Ste. Anne	435	-3	-0.7%	20	-43	-68.3%	455	-46	-9.2%	39	-3	-7.1%
<b>TOTAL</b>	<b>38,369</b>	<b>368</b>	<b>1.0%</b>	<b>7,026</b>	<b>286</b>	<b>4.2%</b>	<b>45,395</b>	<b>654</b>	<b>1.5%</b>	<b>6,287</b>	<b>695</b>	<b>12.4%</b>

Prospective international students clearly represent Nova Scotia's best chance to continue utilizing its current university capacity. For example, the OECD (2010) estimates the number of international students globally is expected to rise as high as 6.4 million by 2025 (from 3.7 million in 2009). If this proves even close to accurate, these individuals represent an enormous pool of potential students for our PSE system. In line with this, the Federal Government recently set an ambitious goal to double the number of international students in Canada from 239,000 students in 2011 to 450,000 by 2022 (Advisory Panel on Canada's International Education Strategy, 2012). Assuming we maintain our share of the national international student population, this corresponds to roughly 7,000 new students for Nova Scotia, which would more than offset the expected 5,000-student decline in enrolment of domestic 18-29 year olds (O'Neill, 2010; *StudentsNS*, 2013).

If Nova Scotia intends to further expand international enrolment, we are in a relatively strong position to do so. A number of key points bear mentioning:

1. Canada as a whole is a popular international destination, currently hosting 5% of all international students, ranking as the fourth most popular destination for international students among English-speaking countries (behind the US, the UK, and Australia) and second on the list of French-speaking destinations (behind France) (OECD, 2010).
2. Canada stands up well to international comparisons on educational cost and quality, as well as quality of life (for example, see Box 1);
3. Nova Scotia has certain sectoral advantages (e.g. excess capacity) and/or cost-of-living advantages over other provinces, including lower differential fees than most; and
4. Given our rapidly shifting population, Nova Scotia is particularly incentivized to attract new young immigrants and our universities are key assets in this respect.

Despite these advantages, global competition for international students is

**CONCERN:** To maintain current enrolment levels, Nova Scotia will need to dramatically increase international recruitment.

intensifying such that neither Canada, nor Nova Scotia, is guaranteed to reach established recruitment targets. To succeed, it is essential that our governments implement policies that enhance the attractiveness of our universities as places to study and of our Province as a place to live, work, and raise a family. Consistent



with our previous recommendations (*StudentsNS*, 2013), this is one vitally important area where Nova Scotia could derive more economic, social, and cultural value from its universities.<sup>20</sup>

## Modeling the Future

It is safe to conclude that any significant enrolment gains in Nova Scotia’s university system will depend almost entirely on our success in attracting international students. Based on this assumption, as well as current Canadian demographic projections and enrolment data, *StudentsNS* has empirically modeled a range of scenarios over a 20-year period from 2011-12 to 2030-31 (Table 9).

**Table 9. 2030-31 System-level Enrolment Projections Based on Different Growth Rate Assumptions**

GROWTH RATE	SYSTEM SIZE	NOVA SCOTIA	DOMESTIC	INTERNATIONAL	TOTAL
-1.50%	32,348	56%	39%	5%	100%
-0.75%	37,363	49%	34%	17%	100%
0.00%	43,108	42%	29%	28%	100%
2011-12	43,108	53%	32%	14%	100%
0.10%	43,934	41%	29%	30%	100%
1.00%	52,079	35%	24%	41%	100%
1.50%	57,202	32%	22%	46%	100%

Our most conservative model, based on an average annual enrolment contraction of 1.5%, would see the university system shrink to approximately 32,000 students. All segments of the student population would be in significant decline, including a reduction from approximately 6,000 international students to just 1,500 (-75%). Our most optimistic projection, based on average annual enrolment growth of 1.5% (matching 2012-13), would see the system balloon to over 57,000 students, with over 26,000 international students. This would represent more than a four-fold increase in the international student population; a much faster and more sustained rate of growth than called for by the Government of Canada’s already ambitious 2022 target.

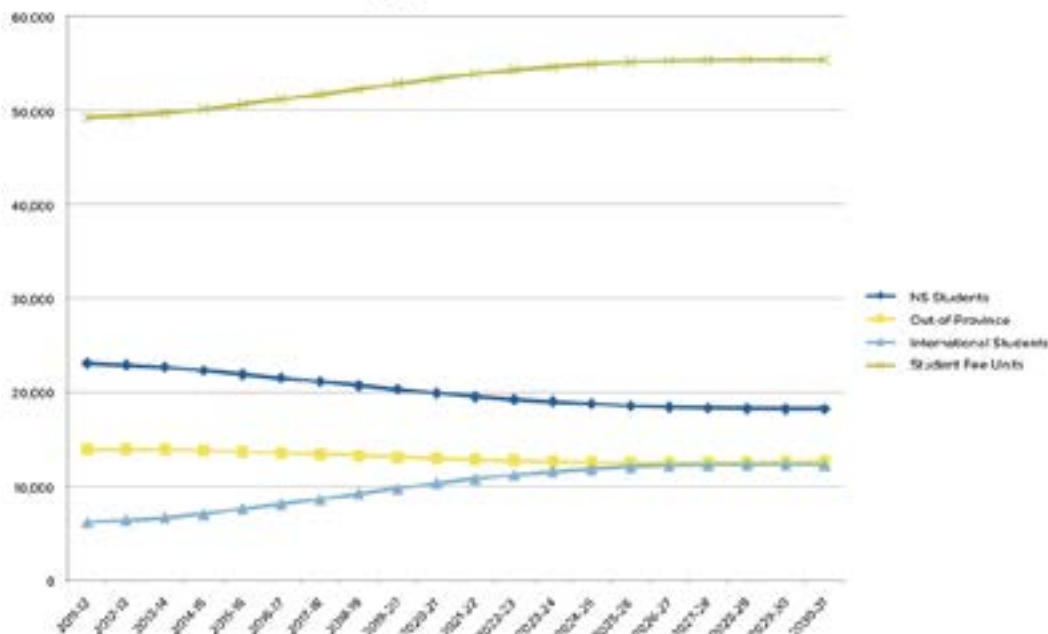
Neither of these scenarios is impossible but in our judgment both are unlikely to transpire. The former would indicate a near collapse in Nova Scotia’s ability to attract international students and the latter would see Nova Scotia exceed all reasonable expectations for international growth. It is impossible to make an exact prediction,

<sup>20</sup> For an in-depth discussion of International Students, see our position paper to be released later in 2013: International Students and the Future of Nova Scotia’s Universities.

but based on our analysis we believe the reality will prove to be roughly in the middle of these two extreme scenarios.

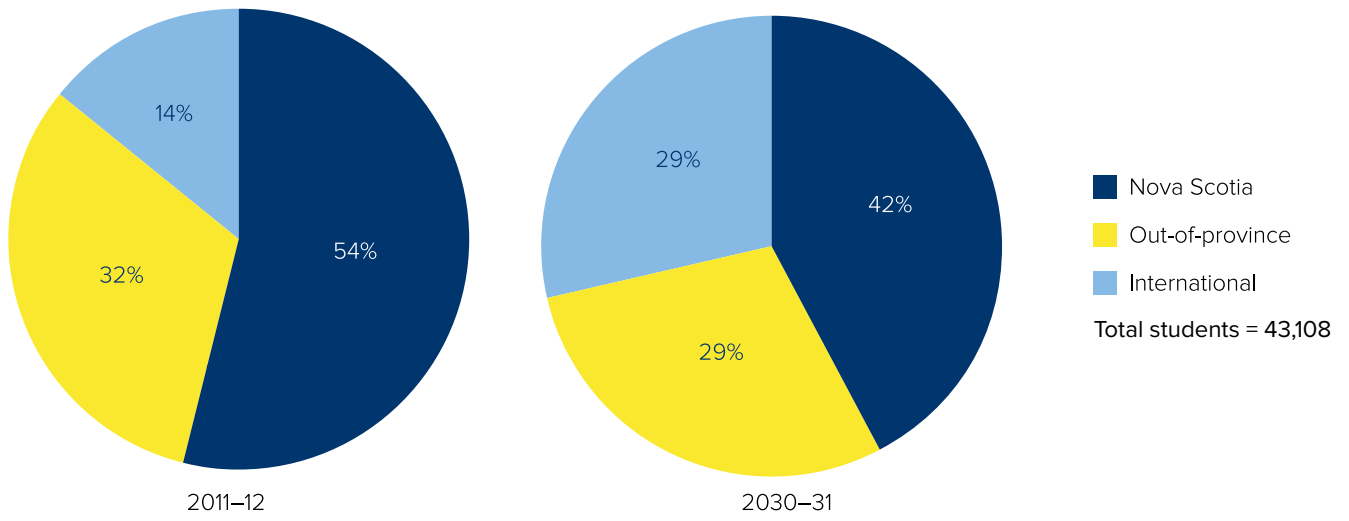
For illustrative purposes, it is useful to delve deeper into such a scenario: we assume a zero net growth scenario in which the decline of Nova Scotian and other Canadian enrollees is matched exactly by recruitment of new international students (Figure 4). This scenario dramatically simplifies a complex situation but nevertheless allows us to approximate the increased international character of Nova Scotia’s future student population, as well as the magnitude of system costs and revenues over the next 20 years. In the zero growth scenario, we project the number of international students to roughly double, from 6,000 to more than 12,000,<sup>21</sup> thereby reaching 28% of the 2030-31 university student population (Figure 4b). To put this in perspective, SMU and Cape Breton University (CBU) currently have international student populations of 25% and 24%, respectively, based on preliminary enrolment totals from 2012-13 (AAU, 2012), so there is a local precedent for such large international enrolment.

**Figure 4a. Projected Change in Student Enrolments and Student Fee Units in Our Zero Growth Model of the Nova Scotia University System, 2011-2012 to 2030-2031**



<sup>21</sup> Notably, the addition of 6,000 international students over 20 years would see Canada (or at least Nova Scotia) fall below the target of 7,000 students by 2022 discussed above; in this respect, a zero growth model is a slightly more conservative projection.

**Figure 4b. Share of Student Population, by Jurisdiction of Origin (2011-12 and 2030-31)**



Effectively replacing domestic students with international students will have an important impact on university revenues. Since international students pay roughly twice the tuition fees, static enrolment growth does not imply static tuition revenue. In fact, over a period of 20 years, the number of ‘student fee units’ would increase by the equivalent of 6,200 domestic students.

If, for the moment, we ignore the possibility of incremental cost increases as a result of a more internationalized university system,<sup>22</sup> modeling future system costs under a zero net growth scenario is relatively straightforward: it is ‘simply’ a matter of choosing an appropriate growth rate. Here, we have projected system costs under four different expenditure growth scenarios (see Table 10).

<sup>22</sup> International students may imply additional costs to educate relative to domestic students, though the scale of such costs is an open question. See our upcoming position paper, *International Students and the Future of Nova Scotia’s Universities*, for a fuller discussion of this issue.

**Table 10. Projected System Costs Under Four Expenditure Growth Scenarios**

YEAR	ACADEMIC YEAR	1	2	3	4
		SYSTEM COST (Growth: 202%)	SYSTEM COST (Growth: CPI)	SYSTEM COST (1.5x CPI)	SYSTEM COST (Growth: 2x CPI)
1	2011-12	\$1.12 billion	\$1.12 billion	\$1.12 billion	\$1.12 billion
2	2012-13	\$1.18 billion	\$1.15 billion	\$1.16 billion	\$1.17 billion
3	2013-14	\$1.24 billion	\$1.17 billion	\$1.19 billion	\$1.22 billion
4	2014-15	\$1.30 billion	\$1.19 billion	\$1.23 billion	\$1.27 billion
5	2015-16	\$1.36 billion	\$1.22 billion	\$1.27 billion	\$1.33 billion
10	2020-21	\$1.66 billion	\$1.36 billion	\$1.49 billion	\$1.64 billion
15	2025-26	\$1.96 billion	\$1.51 billion	\$1.75 billion	\$2.03 billion
20	2030-31	\$2.26 billion	\$1.68 billion	\$2.05 billion	\$2.50 billion

*\* Note that these values should be interpreted with particular caution relative to the other columns. They are based on a fixed annual increase of roughly \$60 million, while the CPI-based estimates are subject to compounding inflation.*

The assumptions for each scenario modeled above are as follows:

1. That expenditure growth over the next 20 years will match the most recent 20-year period for which comparable data is available. Between 1989 and 2009, adjusting for inflation, university system expenditure in Nova Scotia increased by 202%. If the same were to occur between 2011-12 and 2030-31, total system costs in the final year would be over \$2.2 billion, based on an average annual increase of \$60 million.
2. That growth proceeds at the average inflation rate (CPI), equating to projected system costs in 2030-31 of \$1.7 billion;
3. That growth proceeds at twice the average inflation rate (CPI), equating to projected system costs in 2030-31 of 2.0 billion; and
4. That growth proceeds at three times the average inflation rate (CPI), equating to projected system costs in 2030-31 of \$2.5 billion.

From these models, it is important to point out that business-as-usual (i.e. 202% growth) would equate to approximately 1.75 times the average rate of inflation over this period (Table 11, compare final values 1, 3, and 4). On the surface, this level of expenditure growth might seem appropriate to some, especially when compared with Canada as a whole (208% growth between 1989 and 2009 – Statistics Canada, 2013; Table 385-0007). However, the provincial government has clearly indicated that it views recent university-funding practices as unsustainable, while the main

opposition parties have been critical of this position, neither has thus far proposed a concrete alternative.<sup>23</sup> Therefore, constrained provincial university funding may be likely to continue in the near term under any government.

The cost of shortfalls between government funding and rising expenditures are consistently borne by students. This causal relationship has been clearly established and cannot be allowed to continue further in Nova Scotia, where students still pay among the highest tuition fees in Canada and graduates carry among the highest debt levels (see Sections 2 and 3 above). Placing an even larger share of escalating system costs on students *might* help resolve the perceived revenue problem for universities, but will do little to improve university system performance with respect to broader provincial priorities. Even if increased tuition had no discernible impact on enrolment levels, unless the student assistance program improves dramatically, student debt levels would increase, more students would need to spend more time earning money rather than studying and it would become even harder to keep future graduates in Nova Scotia.

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23 These claims are in regard to the five-year spike in university operating funding increases from 2006 to 2010 (see Table 2 above) as well as the long-term pattern of year-to-year fluctuations in funding levels.

## 5. Five Common Myths in the University Funding Debate

On a regular basis, the many benefits of Nova Scotia's university system are trumpeted by one of the system's key stakeholders. Each stakeholder's particular interests are worth reviewing here:

- Students make personal investments in PSE on well-worn promises of a positive experience, personal development, and the acquisition of essential skills and knowledge needed to pursue rewarding careers. Many students incur significant debt on the basis of such promises and carry this debt with them long after they graduate. In the current job market, many graduating students enter into insecure employment for which they are overqualified and underpaid, if they can find a job at all.
- Faculty and staff, the essential frontline service providers of any university, rightly expect fair compensation for their own personal education investments, respect for their collectively bargained rights and recognition of their contributions to the success of their respective universities. In general, they are well compensated, though the increasing casualization of the professorial ranks is a genuine concern, not only for professors, but also for students because of the potential for negative impacts on education quality.
- Universities are entrusted with large sums of money with the expectation that they will spend responsibly and provide significant returns to students and the public. These expectations put pressure on university administrators to perform, but these same administrators also receive high compensation and high profile platforms to influence public opinion and policy.
- Finally, governments make investments in universities to reap the many well-documented benefits of an educated population and to stimulate economic, social and cultural development. There are many dedicated and sincere public servants and politicians who strive for a better university system. For politicians, the successes and failures of universities, both real and perceived, can also have real electoral impacts that should not be overlooked.

Clearly, many individuals and stakeholder groups are deeply invested in our university system, which is why passions flare frequently over PSE policy. Yet, stakeholders' interest-based positions are frequently at odds with what might be best for individual institutions, the PSE system, and indeed, the Province as a whole. For this reason, it is necessary to directly confront some of the prevailing myths about university funding and the university system from the perspectives of different stakeholders.

## Myths about ... *Students*

*MYTH #1: Reduced or free tuition is the best way to strengthen the university system and improve access and affordability.*

Obviously, *StudentsNS* has serious concerns with several aspects of current provincial tuition policy. We also know it could be much worse: for example, O'Neill (2010) advised the current government to completely deregulate tuition but they instead implemented the current 3% tuition growth cap. While it is far from ideal from a student perspective, the current growth cap is less onerous than the one that preceded it (3.9% before the three year tuition freeze) and at least limits the growth of costs for a majority of students. In addition, the Province has significantly improved the provincial student assistance program over the same period, which has reduced the debt burdens of students with the greatest need.

Despite occasional assertions to the contrary, it is neither realistic nor beneficial for students to demand significantly reduced tuition or 'free' university at this moment in time.<sup>24</sup> Dramatic reductions to tuition and academic fees would eliminate a significant portion of universities' current funding, leaving government and the universities trying to pick up the slack. Based on Government's commitment to achieving "a sustainable [university system] cost structure" (Government of Nova Scotia, 2012; p.1) and to controlling provincial expenditures more generally, it is unlikely that tuition reductions would be fully offset by government funding. Nor is it clear that to do so would currently be in Nova Scotia's best interests given the Province's already large

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24 An equally unpalatable scenario is the one prescribed by the O'Neill report (2010), whereby fully deregulated tuition would be paired with large investments in student assistance. In this scenario, government could effectively be providing a blank cheque to universities with respect to tuition fees and burdening the most needy students with even higher levels of debt. There is little to suggest that this scenario would be any more sustainable or equitable than the current one.

PSE operating transfers (see Sections 2 and 3 above). Any remaining funding gap is unlikely to be filled, although universities would attempt to do so through private sources (e.g. corporations, charities, donations). At the very least, drastic reductions to tuition would lead to program and service cuts; and at worst, the continued existence of some institutions would be threatened.

With all of that said, it is clear that any action taken to remove significant funding from the system in the short-term – either through tuition reductions or further government funding cuts – would be highly destabilizing to the system and detrimental to the quality of students’ education. If a Provincial Government ever opts to significantly reduce or eliminate tuition fees, it will be at a time when Nova Scotia’s economy and labour market have improved sufficiently to make such a policy fiscally and politically viable (i.e. would not require massive cuts somewhere else in the Provincial budget). Given our recent economic history and the ongoing and emerging challenges we face as a province, it is unclear when such conditions might exist, but if we hope to reach this point, all PSE stakeholders must focus their energies on building a system that achieves more economic value from our investments.

In addition to all of the above, *StudentsNS* prioritizes improvements to student financial assistance over tuition reductions. Such an approach improves the accessibility of PSE for individuals with the greatest financial need by providing them with money up front for student fees and living expenses. Investments in student assistance lowers the actual cost of PSE for needy students through the provision of forgivable grants and also reduces the eventual student debt burden borne by such students.

In contrast, the reduction or elimination of tuition fees lacks these progressive features. Lowering tuition for all students is sometimes framed as an equal benefit to all students but this would only be true if all individuals with an interest in pursuing PSE had the personal financial resources to do so. Since this is not the case and since government resources are also limited, a public investment in across-the-board tuition reductions, even for students with sufficient means to pay, has an opportunity cost of limiting improvements to student assistance for truly needy students. *StudentsNS* cannot support this regressive approach to tuition policy.



Many students are citizens of Nova Scotia, others are citizens of Canada, and many more might aspire to be both these things if we develop the right policies in this province. We therefore have interests well beyond maximizing the number of dollars in the university system and/or minimizing the tuition paid by today's students at any cost.<sup>25</sup> As citizens or would-be citizens, many students are deeply interested in building a stronger Nova Scotia that supports creates well paying, rewarding jobs within a vibrant, diverse, and sustainable economy. Regardless of future plans, each student is still entitled to a high-quality education equal to the investment she makes in time and money to live and study in Nova Scotia. For our own benefit, Nova Scotia can and should do everything possible to accommodate both sets of priorities.

## Myths about ... *Universities*

*MYTH #2: Universities are sound financial managers and honest, transparent stewards of public and student money.*

Of all the myths discussed in this report, this one is the most damaging to the system and to students. When pressed on issues of financial transparency and accountability, Nova Scotia's universities often point to their annual consolidated financial statements or reports, as well as to data provided through the Canadian Association of University Business Offices (CAUBO) or the Atlantic Common University Data Set (ACUDS). To be fair, there is a lot of information available from these and other resources, but its quality, completeness and specificity leave much to be desired.

*StudentsNS* has reviewed the publicly available financial data that universities provided through each of the resources mentioned above for fiscal year 2011-12. We have also cross-referenced the Canada Revenue Agency's annual Registered Charity Information Returns for 2012, which all universities must submit. Our main findings are summarized below.

- Each university classifies and reports its revenue slightly differently, especially in the annual consolidated financial statements. In numerous cases, the reported rev-

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25 The university system's finances must always reflect the capacity of prospective students to pay for its services without unduly sacrificing other critical priorities, such as proper nutrition, secure housing, living in the community of your choice, eventually purchasing a home, or starting a family. At the same time, it is no one's interest to undermine the strength of our university system by dramatically reducing funding available from any source.

venues and expenditures vary markedly depending on the reference source. We do not necessarily imply fault for this, because it is understandable that financial information may be reported differently to suit a particular purpose, but the observed lack of standardization within and between universities makes interpretation, comparison and/or aggregation of data unduly challenging.

- A substantial shortcoming of the readily available financial data is the variation in methods for reporting basic line items most relevant to students. On the revenue side, items like tuition, academic fees and other ancillary fees are recorded in a variety of combinations by different universities, which limits the usefulness of these data and by extension, the transparency of universities. On the expenditure side, where student money goes and how it is spent is not always evident (e.g. see discussion on ancillary fees in Section 2). With respect to collection and expenditure of student fees, no university is perfectly transparent but some stand out as publishing more information than necessary. For example Dalhousie, StFX, A.S.T., and King's all provide revenue statements on residence fees and meal plans.
- Universities have different standards for what constitutes normal operating revenue. One university, StFX, stands out from all others by defining ancillary services (revenues from residence services, food services, and the university bookstore) as being outside of their operating revenue. As a result, their operating budget is frequently quoted at approximately \$70 million when, in reality, it is closer to \$95 million (using the same accounting approach as all other universities). So, while StFX gains transparency points for reporting residence and meal plan fees, it loses those points for systematically understating its operating revenues.
- Over the past several years, it has become common to hear universities complain of being badly underfunded due to government budget cuts; other stakeholders, including students, have made similar claims. Our review of financials for the year 2011/12 revealed that a number of universities have little room for financial error, with revenues closely matching expenditures or, in the cases of Acadia and Université Sainte Anne, exceeded by them. The fact remains, however, that most universities display a positive variance of revenues over expenditures. It bears mentioning that Dalhousie and StFX recorded significant surpluses in 2011-12, \$24 and \$9 million respectively,<sup>26</sup> Interestingly, these two profitable universities have been among the most vocal detractors of university funding cuts in the current academic

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<sup>26</sup> These figures exclude amortization of capital contributions accruing to each university.

year: Dalhousie in reference to a projected budget deficit for 2013-14 and StFX in the context of labour negotiations with the StFX Association of University Teachers (Beswick, 2013, McNutt, 2013).

- In response to frequent complaints of “Monument Syndrome” (some institutions’ practice of seemingly perpetual capital building projects), universities often assert that operating budgets and capital budgets are entirely separate. Further, they claim that capital projects are paid for through fundraising and absolutely not with government dollars or student fees. In reality, however, several universities use their ‘surpluses’ to pay down capital debts, including Dalhousie and StFX. With respect to Dalhousie, in particular, a recent report released by the Dalhousie Faculty Association (2013) confirms many of our own findings. It summarizes ten years of Dalhousie financial data (2001-2010) to demonstrate that Dalhousie has diverted \$84 million from its operating budget to cover capital projects over that period. Here, we simply point out that Dalhousie is not the only university to engage in this practice.

In addition to the above, there are other reasons to question the financial management practices of our universities. The NSCAD situation, in which the school took on significant debt without adequate funding, has been well documented (Hogg, 2010, Windsor, 2012); but a similar situation at Acadia has received much less attention. In both cases, the provincial government has been forced to step in with millions of dollars in bridge funding. Furthermore, debt troubles are apparently not unique to small universities, as Dalhousie’s outgoing President Tom Traves recently noted that the institution’s debt is his biggest concern for its future (Cormier, 2012).<sup>27</sup>

*MYTH #3: University administrators, faculty, and staff have the best interests of students in mind.*

This particular myth is often advanced by parties engaged in labour negotiations or in response to a change in government funding.<sup>28</sup> While this might be easy to believe about individuals (or even most university employees), it is not self-evident based on the behaviour of each group. While all stakeholders are entitled to act in their own

27 This is notable given that much of Dalhousie’s debt was built during Dr. Traves’ 16-year tenure and that Dalhousie continues to take on new debt through capital building projects.

28 The public negotiation tactics used in the January 2013 labour dispute between StFX University and the StFX Association of University Teachers is a clear example (Beswick, 2013; LeBlanc, 2013).

interests, it is incumbent upon students to point out when others are misrepresenting student interests. In reality, these groups have largely benefited at students' expense. Witness university growth of 202% in the past two decades paid for mostly by increases in tuition (CAUT, 2012; Statistics Canada, 2012; Table 385-0007). Much of this money has gone to increased compensation for top administrators and full-time faculty (e.g. ANSUT, 2012; Willick, 2012b). In sum, many university employees receive significantly more pay for the same amount of work, while students receive basically the same education for much more money.

Finally, Canadian universities' high costs of operation are sometimes championed as a virtue. The wrong-headedness of this proposition is evident in a statement by Mount Allison University President Dr. Robert Campbell (University Affairs, 2011). To pay for our high cost system, he argued that Canada should look to model itself on Sweden; a country with high productivity, high wages and high taxes. By Campbell's thinking, it might be possible to fund our university system as Sweden does: with 90% primarily public funding (OECD, 2012a). Or else, he proposed that students in Canada should be willing to pay more for the high quality education at Canadian universities, which he called "a Volvo product, not a Walmart product." As we have already seen, Canada does in fact provide high quality education for the large investment it makes, but Canada's productivity is persistently low, as is Nova Scotia's. As a result, Dr. Campbell's higher student fees prescription is the only one that would be achievable in the short term. Canada simply can't become Sweden overnight and students should not be forced to provide the bridge funding. The financial impacts of such an approach are not in the best interests of Nova Scotians.

## **Myths about ... *Government***

*MYTH #4: Government is looking out for the long-term interest of the university system.*

While this is undoubtedly true of most government bureaucrats and politicians most of the time, it is clearly not always the case. Unfortunately, the immediacy of electoral politics and the political calculus that comes with it often wins out over the best policy, regardless of the party in power. Planning Nova Scotia's university system optimally requires government (and other stakeholders) to think beyond the typical four-year election window. This is the main reason that *StudentsNS* continues to call

for a clearly articulated policy vision for Nova Scotia's university system (*StudentsNS*, 2013). Without such a vision, we are destined to continue rehashing unproductive debates with little to show for it.

## **Myths about ... *The University System***

*MYTH #5: Nova Scotia's university system is under imminent threat of collapse because it is drastically underfunded.*

In the PSE debate, many of the interested parties have been known to overstate their case, but none more so than some university administrators. Of course, Nova Scotia absolutely must invest to keep its university system alive and prosperous, but many administrators' prescription is to spend more and more money to educate fewer and fewer people<sup>29</sup> (Jackson, 2012; Beswick, 2013; McNutt, 2013). This line of argument is illogical and most administrators know it.

In fact, most Nova Scotia universities have recognized the enrolment realities described above (see Section 4) and are actively engaged in recruiting internationally. Of course, largely because of intense competition and high recruitment costs, the supply of international students is more volatile and harder to rely on (MPHEC, 2012c). For this reason, Nova Scotia's approach to university funding should be flexible enough to maintain the strength of all institutions, which is why we have previously recommended significant changes to deemphasize the importance of enrolment in the university funding distribution formula (see *StudentsNS*, 2013). In a university system where overall strength and provincial prosperity is a key priority, all universities have reason to support such reform.

A separate issue is whether or not the system is currently funded at an appropriate level to allow for success. In general, the answer to this question is a clear 'yes.' After all, our universities as a group perform well on the quality metrics available to us (see Box 1, OECD comparisons) and continue to attract students from away. As we have already outlined, current funding for our universities represents a larger share of Nova Scotia's provincial wealth than any Canadian province or OECD nation. Even provincial government funding almost matches the historical high of the early 1990s.

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<sup>29</sup> In making such arguments, universities suggest that enrolment decline is inevitable but, as we have shown, this is far from a foregone conclusion.

Even if we limit our comparison to the last 10 years, 2013-14 funding (following three full years of government cuts) will be 23% higher than the funding levels in 2003-04 (prior to six straight years of funding increases averaging 8.6%; all figures adjusted for inflation). Thus, by any objective standard, claims of drastic underfunding on historical grounds are clearly overstated.

Overall funding levels aside, there are real and justifiable reasons to be concerned about existing university cost structures. The reality is that universities have taken on a great many service functions that are well outside their core mandates for teaching, research and community service. Examples include student health and mental health services, career and employment services, and international student services, among others. There is no question that these expanding responsibilities do strain universities' ability to fulfill their core mandates. To the extent that providing these services diverts resources from the core academic mission, sustaining the quality of education is a significant concern to students. At the same time, many of these services have become absolutely essential to supporting students' success throughout their studies and after graduation. Taken together, these facts indicate an urgent need for universities to closely examine their cost structures and for students and government to examine their expectations with regard to the services universities provide.

## 6. A Fair Approach to University System Funding

Nova Scotia's historical approach to university funding is unsustainable. This includes especially the irregular fluctuations over the last several years, which include significant funding increases, funding cuts. Nova Scotia and its universities continue to shift the financial burden onto students through increasing tuition and fees.

Nova Scotia students cannot bear continued business-as-usual, where they are consistently passed the buck so that institutions and governments can avoid tough decisions. Meanwhile, institutions need steady and predictable long-term funding to pursue the long-term planning needed to control costs and improve quality.

Our recommendations help to advance the following specific objectives:

1. To reduce the heavy and growing financial burden placed on students through tuition and student fees and make related policies more equitable for all students.
2. To stabilize and control the growth of university system funding and spending so that students, universities, and government can conduct long-term planning.
3. To further expand transparency and accountability in the university system by establishing clear expectations for financial reporting and student fee structures.
4. To clarify the financial and service responsibilities of PSE stakeholders.
5. To generate incentives for institutions to control costs and support provincial prosperity.

If implemented, these policies will help set the university system on a more stable financial footing and advance a strategic and system-based approach to strengthening Nova Scotia's universities.

## Controlling Costs for Students

To control the cost of education for students and ensure institutional accountability, *StudentsNS* recommends the following tuition-related policies:

### **RECOMMENDATION:**

*In the 2015 Memorandum of Understanding agreement with the universities, the Province should commit to regulating tuition for all students, including professional and international students.*

### **RECOMMENDATION:**

*The Province should regulate tuition fees to be nominally frozen (0% growth) unless post-graduate labour market conditions are sufficiently strong. To increase tuition by the rate of inflation, the differential between employment rates among Nova Scotia's university-graduate-age (20-24 year olds) and working age (25 and over) populations could not exceed 8.5%. Every 1% increment above an 8.5% differential should equate to a 0.5% decrease in the tuition growth rate.*

This 8.5% figure represents the employment differential in 2007, before the current financial crisis began. Based on a 12-month average of seasonally unadjusted monthly employment rate data, Nova Scotia's differential for 2012 is 16.1%, which would translate into a 0% tuition growth cap for 2013-14 if our recommendation were implemented immediately.<sup>30</sup> This equates to a real tuition reduction. Furthermore, even the maximum annual growth rate (i.e. the rate of inflation) would represent a freeze in tuition fees in real dollar terms.<sup>31</sup>

Some might worry that this tuition framework would destabilize the university system. However, assuming international student growth projections hold true, these policies still allow for significant tuition revenue growth over the next 20 years because as an international student replaces a domestic student tuition revenue effectively doubles. Also, we previously recommended changes to the university funding distribution

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30 At current inflation of 2.2%, 12.5% represents the differential rate at which tuition becomes nominally frozen.

31 This recommendation does not apply to international students. *StudentsNS'* recommendations related to international student tuition are outlined in its 2013 Report: International Students and the Future of Nova Scotia's Universities.



formula (*StudentsNS*, 2013) that will also allow flexibility to smooth dramatic funding changes for all universities in the short term and for those that are less successful in international recruitment in the long term.

Tying tuition growth to broad labour market conditions creates additional incentives for the university system to support students' employment success, which may in turn help to justify additional university funding. Most importantly, we would be firmly connecting tuition revenues to students' ability to pay, which is the only fair approach.

### **RECOMMENDATION:**

*The Province should make the Nova Scotia University Student Bursary program permanent and index its value to any growth in tuition fees.*

This change would ensure the NSUSB value does not decline each year due to tuition growth. Also, the policy would guarantee that the bursary could not disappear in just one year leading to a dramatic tuition increase.

In addition to the above, *StudentsNS* recommends the following policy changes with respect to other student fees:

### **RECOMMENDATION:**

*The Province should strengthen and strictly enforce ancillary and auxiliary student fee rules in the following ways:*

- i. Tuition and all other fee types should be clearly defined so that all compulsory student fees are easily distinguishable from tuition with respect to the goods and services they may fund.
- ii. Residence or meal plan fees should be limited to market prices for similar goods and services.
- iii. With respect to standard ancillary fees or their program-specific equivalents, all new fees or increases beyond the rate of inflation must be approved through a clearly defined formal student approval process that is agreed upon by the institution and its student associations.
- iv. All fees must be subject to periodic review or pre-defined term limits, particularly

project-specific fees.

- v. The value of fees that contravene these policies should be removed from offending institutions' operating grants.

The proposed fee regulations are modeled, in part, on current rules in Ontario (OUSA, 2011). These changes would give government and students the power to more firmly control the total cost of education without providing institutions a means to circumvent tuition regulations. Given the choice in Ontario, students still consistently approve fees to fund services that they value.

### **RECOMMENDATION:**

*Students should be provided the estimated total cost of their program at admissions, based on normal program length, projected fee increases, and other reasonably predictable factors, with precise updates well in advance of each academic year.*

Together with the earlier recommendations, this policy would create cost certainty that is important to all students, but in particular to those students with the greatest financial need.

## **Controlling Costs to the Public**

Controlling costs is an evident priority of the current provincial government. The following recommendation would support this provincial objective, while providing funding stability to institutions.

### **RECOMMENDATION:**

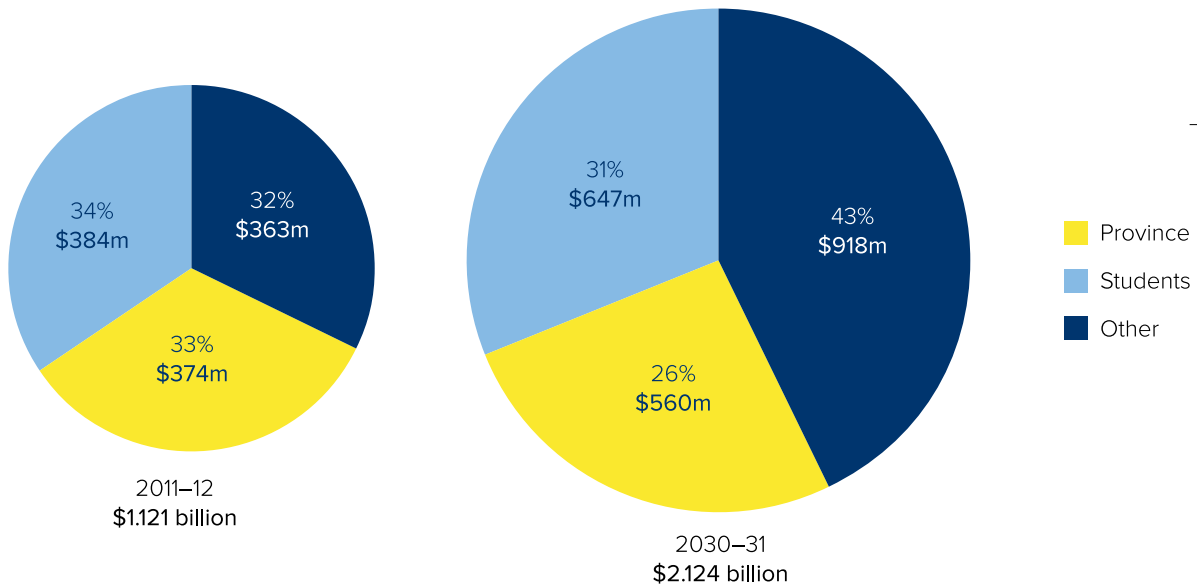
*University operating grants should increase annually at the higher of either the real GDP growth rate or the provincial rate of inflation.*

This policy would guarantee a baseline funding increase for universities each and every year. At the same time, this mechanism would increase system funding in accordance with the public's capacity to pay, since GDP growth generally corresponds to growth in government revenues. At the same time, this policy creates clear incentives for universities to get serious about controlling costs, while exploring

ways to boost their economic impact on the Province.

Based on our student fees and public funding recommendations, we can project likely university funding in twenty years (Figure 5). Under this scenario, total system funding is projected just below the “business-as-usual” approach that led to 202% expenditure growth in the previous 20 years (see Section 4). Therefore, the proposal would not even require significant cost savings from universities, though *StudentsNS* firmly believes that institution should still pursue reasonable cost control measures to improve performance and mitigate the inherent uncertainty of economic growth projections.

**Figure 5. Projected Proportions of System Funding 2011-12 vs. 2030-31 based on Our Funding Recommendations and Negligible Cost Savings by Universities**



If the economy fails to grow in real dollars, universities could expect provincial funding growth of no less than approximately 50%. Critically, this recommendation assumes that university system enrolment will follow the previously outlined trajectory (i.e. long-term net zero growth). To mitigate the risk of a mismatch between inflation-based funding growth and less predictable enrolment growth, this policy should be periodically reviewed and adjusted as part of MOU negotiations between government, universities, and students.

Our student fees recommendations, alongside the projected growth in international enrolment, would still deliver a 68% increase in student fee revenues over the same

20-year period.<sup>32</sup> The Other Revenues category is projected to grow at an even faster pace. O’Neill (2010) estimated future growth of 5.9% in similar streams, but we have adjusted this rate downward to 5% to account for the impacts of slower economic growth projections on funding through donations, investments, and other similar sources.

The fundamental difference between this projection and the O’Neill report’s (2010) much more pessimistic view is that while O’Neill limits the “Other” funding stream to those revenues that universities voluntarily include as part of operating revenue, *StudentsNS* includes all university revenues except endowments. Under this approach, in 20 years Nova Scotia’s university system would be funded much more significantly by private sources, which does introduce questions about private sector control and impacts to institutional autonomy and/or academic freedom. Nevertheless, we believe these projections significantly clarify the true financial position of Nova Scotia’s universities and further suggest that concerns about underfunding are exaggerated.

## **Government’s Service Responsibilities to Universities and to Students**

None of our policy recommendations preclude any government from investing more in universities. In fact, *StudentsNS* believes that the provincial government should work with the post-secondary system as a tool for improving immigration, for example.<sup>33</sup> Government activities and PSE funding would not necessarily be limited to the Department of Labour and Advanced Education’s purview under this scenario. It might be possible to develop joint university-related strategies with multiple departments, such as Health and Wellness, Community Services, and Economic and Rural Development and Tourism. All government departments should collaborate around specific priorities, as when immigration objectives fit within diverse departmental mandates. Under these circumstances, the total pool of available public funding to the post-secondary system could be substantially increased and government departments made to work together more closely and effectively.

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32 This assumes that Nova Scotia’s economy grows at a rate matching inflation and that labour market conditions for graduates are sufficiently strong and stable over this period.

33 See our upcoming position paper *International Students and the Future of Nova Scotia’s Universities* for further details.

There may also be room for the Province to relieve university cost pressures by taking over certain non-academic services that either rare or ought to be outside universities' educational mandates. One prominent example might be campus health services. It is appropriate that universities often serve as venues for service delivery to the broader public because they are important community hubs. Working through the university, the Province could achieve important public mental health objectives by offering services directly to a segment of the population that with teenagers and young adults who have among the highest prevalence of mental illness (Department of Health and Wellness Nova Scotia, 2012). The same logic applies to a number of other public health objectives (e.g. managing the transmission of sexually transmitted diseases, substance use issues, etc.). However, on campus service delivery cannot be allowed to chip away at these institutions' core mandates and governments cannot download the cost of services onto universities at the expense of education quality and affordability.

Based on the above, *StudentsNS* recommends the following approach to determining the service responsibilities of the various university stakeholders:

### **RECOMMENDATION:**

*The Province, universities and students should undertake a full and transparent public review to determine which student services may not be covered under university operating grants and establish provincial, institutional or student responsibility for funding these services.*

As indicated above, there are significant concerns about the expanding service responsibilities of universities, especially as they contribute to the financial strain that may degrade the quality of education. Our recommendation establishes a process that will not only avoid this outcome but would help to strengthen the programs and services that already exist.

## **Transparency and Accountability Principles**

There is a clear lack of trust between all of the key stakeholders in Nova Scotia's university system. This represents a significant barrier to the changes required to improve system performance and stability. Whether or not this systemic mistrust is

fully warranted in all cases, it provides a clear rationale to increase the transparency around university finances.

*StudentsNS* recommends the following policy changes with respect to financial transparency:

**RECOMMENDATION:**

*The Province should establish standards for universities' annual financial reporting to the government and students, whereby data is presented in a mutually agreeable format, the collection and disbursement of tuition and all other fees is clearly itemized and 'operating revenue' is precisely defined.*

The imposition of these standards is not intended to be punitive. The proposed policy will help to clarify student and government expectations of universities and remove unnecessary sources of conflict within the university system.

## 7. Conclusion

Given the Province's fiscal position and the importance of the university sector to our common future, *StudentsNS* believes that students, government, university administrators and faculty and staff now is the time to prioritize fairness and accuracy in discussing university funding. It is absolutely necessary that we develop a common understanding of how our university system is currently funded, how this relates to students' ability to pay and the fiscal position of the Province and what all of this might mean for the system's future.

*StudentsNS* began dealing with these issues in "Getting the Most from Our Universities: A New Approach to System Planning and Funding in Nova Scotia" (*StudentsNS*, 2013). In that paper, our recommendations included: creating a *Post-Secondary Education (PSE) Policy and Accountability Framework* to set clear policy direction for our system; significantly modifying the university funding distribution formula (UFDF) to promote educational quality and support strategic priorities; and fully including *StudentsNS* as a partner in university system governance. This paper expands on this work by examining the *entire university system-funding envelope* (USFE) including the provincial operating grants, student tuition and fees, and all other sources of university revenues. It also sheds much needed light on how the various funding streams interact, how institutions manage their finances, and how the right policy reforms could create a fairer, more equitable student fees regime, while maintaining the university system's funding stability and sustainability.

*StudentsNS* also believes that this report's recommendations would promote a system-wide approach to strengthening Nova Scotia's universities and help make Nova Scotia a more prosperous and fair society. To reach this goal, we must overcome the mistrust that exists amongst key university stakeholders. By contributing to a truly honest and transparent dialogue on these important issues, *StudentsNS* has shown our full commitment to such an approach and we challenge all other university stakeholders to do the same.

## 8. Students Nova Scotia Policy Statement

**Whereas *StudentsNS* Holds the Following *Principles*:**

The cost of post-secondary education in Nova Scotia should not cause undue hardship upon any student, restrict their ability to pursue the career path they choose, or make them financially unable to live in the community that they choose.

Every qualified Nova Scotia student who wishes to pursue post-secondary education should be able to do so, irrespective of their financial situation, socioeconomic or ethnic background, physical, psychological or mental disability, age, sexual orientation, geographic location, or any other factor exogenous to qualification.

The Nova Scotia post-secondary education system should strive at all times to provide the highest possible quality of education to its students, fostering student success.

Nova Scotia students must be empowered to actively participate in setting their post-secondary system's direction.

Institutions have a responsibility to inform students of all predictable costs of their post-secondary education with as much advanced notice as possible.

Universities and the Province must be accountable to students for the quality of the education they provide.

Financing of the university system must reflect the capacity of students and the public to pay without unduly sacrificing other important priorities.

**And whereas *StudentsNS* has identified the following *concerns*:**

Nova Scotia students pay the largest share of the university system-funding envelope through tuition and student fees and that share continues to grow.



Nova Scotia university system funding from tuition and provincial operating grants is excessively variable and unpredictable.

Tuition in Nova Scotia is growing faster than the rate of inflation.

The value of the Nova Scotia University Student Bursary declines each year because it is not indexed to inflation or tuition growth.

The Nova Scotia University Student Bursary is not permanent and could be eliminated at any time, which would cause an immediate and dramatic increase in tuition.

The Nova Scotia University Student Bursary introduces de facto out-of-province differential tuition.

Professional and international students are not protected by tuition regulation, leaving them vulnerable to inequitable and unpredictable tuition increases.

Consultations for the introduction of new ancillary fees or fee increases beyond inflation are not meaningful.

The weakness of regulations surrounding the introduction of new ancillary fees allows institutions to by-pass tuition regulations.

The employment benefits derived from post-secondary education in Canada and Nova Scotia are threatened by significant economic challenges.

Nova Scotia has among the highest student debt levels in the country and in the world.

Nova Scotia faces serious economic and demographic challenges in the short-, medium- and long-term.

Enrolment of Nova Scotia students in Nova Scotia universities is already declining and will continue to do so for the foreseeable future.

To maintain current enrolment levels, Nova Scotia will need to dramatically increase international recruitment.

**Be It Resolved That *StudentsNS* Makes the Following *Recommendations*:**

In the 2015 Memorandum of Understanding agreement with the universities, the Province should commit to regulating tuition for all students, including professional and international students.

The Province should regulate tuition fees to be nominally frozen (0% growth) unless post-graduate labour market conditions are sufficiently strong. To increase tuition by the rate of inflation, the differential between employment rates among Nova Scotia's university-graduate-age (20-24 year olds) and working age (25 and over) populations could not exceed 8.5%. Every 1% increment above an 8.5% differential should equate to a 0.5% decrease in the tuition growth rate.

The Province should make the Nova Scotia University Student Bursary program permanent and index its value to any growth in tuition fees.

The Province should strengthen and strictly enforce ancillary and auxiliary student fee rules in the following ways:

- i. Tuition and all other fee types should be clearly defined so that all compulsory student fees are easily distinguishable from tuition with respect to the goods and services they may fund.
- ii. Residence or meal plan fees should be limited to market prices for similar goods and services.
- iii. With respect to standard ancillary fees or their program-specific equivalents, all new fees or increases beyond the rate of inflation must be approved through a clearly defined formal student approval process that is agreed upon by the institution and its student associations.
- iv. All fees must be subject to periodic review or pre-defined term limits, particularly project-specific fees.
- v. The value of fees that contravene these policies should be removed from offending institutions' operating grants.

Students should be provided the estimated total cost of their program at admissions, based on normal program length, projected fee increases, and other reasonably predictable factors, with precise updates well in advance of each academic year.

University operating grants should increase annually at the higher of either the real GDP growth rate or the provincial rate of inflation.

The Province, universities and students should undertake a full and transparent public review to determine which student services may not be covered under university operating grants and establish provincial, institutional or student responsibility for funding these services.

The Province should establish standards for universities' annual financial reporting to the government and students, whereby data is presented in a mutually agreeable format, the collection and disbursement of tuition and all other fees is clearly itemized and 'operating revenue' is precisely defined.

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