

Strategic planning: Review of external data/information

Briefing theme: Changing Fiscal Landscape

Background:

- Much has been written from thought leaders and pundits alike about how the pandemic has caused a once-in-a-lifetime disruption to almost all sectors, including post-secondary education. However, the COVID-19 pandemic has not been a change agent so much as an accelerant of trends already well underway. In what some are calling “post-Corona”, several real threats and opportunities lie ahead for higher education.
- The following briefing provides a synthesis of these trends that are disrupting post-secondary education that are specific to the changing funding landscape (alternative revenue sources and cost pressures) in the higher education sector. This is pertinent for the University of Calgary to consider as we embark on the development of our next strategic plan.

Key Trends Identified:

- **Public universities are increasingly needing to rely less on public funds.** Public funding to universities has stagnated in Canada (with essentially no change in the public funding on a per student basis over the last 15 years).ⁱ

In Alberta, a policy decision was made in 2019 by the provincial government to shift the funding mix of Alberta’s post-secondary institutions. In 2016-17, the average PSI in Alberta received: 54% of their funding from government grants, 18% of their funding from tuition and fees, and 29% of their funding from other sources.ⁱⁱ By 2022/23, it is estimated that the average PSI in Alberta received: 47% of their funding from government grants, 33% of their funding from tuition and fees, and 20% of their funding from other sources.ⁱⁱⁱ

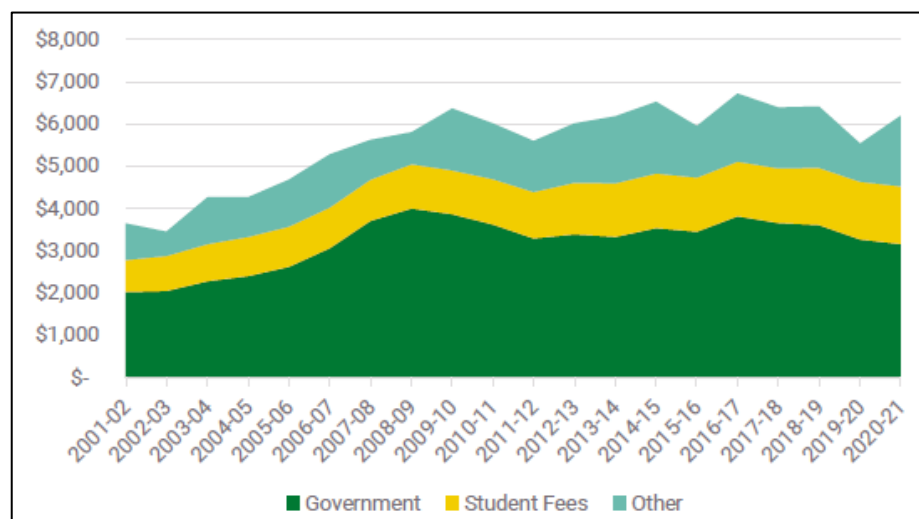


Figure 1. Total revenue by source, Alberta post-secondary institutions, 2000-02 to 2020-21^{iv}

Limited new public funding for public universities is expected to be the norm in the years to come, as governments around the world grapple with high debt loads, high inflation, an aging population, and a growing dependency ratio. The existing business model for a university is very capital-intensive and expensive to operate, thus some are suggesting universities should look to changing the business model altogether.

Universities will increasingly need to look at ways to simultaneously: make the case for public investment in higher education, package offerings in ways that appeal to private funders, generate revenue from alternative sources, and deliver programs and services more efficiently.

- **Increased reliance on private funds (i.e. those from donors, industry, other external partners), and consequently increased competition for private funds.** These funds are essentially always earmarked towards specific items, so although incredibly important, they can't be used towards the operating budget.
- **Increased accountability and scrutiny on outcomes and value for money from all funders.**
 - **Government:** There will be ongoing pressure from governments for more accountability over the taxpayer funds, continually testing the boundaries of traditional institutional autonomy. An increasing trend is to link government funds to performance metrics. This is happening in Canada, the U.S., Australia, and beyond.
 - **Donors/Industry:** With increased competition for private funds comes increased scrutiny on how the funds are spent. Donor/industry restrictions reduce the flexibility of university leaders to redirect funds to less visible but important needs or programs. As a result, these private funds are increasingly influencing how programs develop. University leaders will continually be pushed to find the appropriate balance between independent development and responsiveness to funders.^v
 - **Parents/Students:** Parents and students are increasingly questioning the value for money that a university education and on-campus experience provides. Universities have raised tuition to offset the increased expenses, but there is a limit to how high this can go. As tuition costs have escalated, many parents and students have begun to question the return on their investment in traditional higher education.^{vi} Student debt is already a significant issue in Canada and elsewhere. For example, 54% of those who graduate from an undergraduate degree have student debt, and of those students with debt the average student has incurred \$28,000 in debt by the time they graduate.^{vii} Further, the pandemic resulted in students being increasingly hesitant to pay for on-campus amenities that they are unlikely to personally experience. Institutions that provide lower-cost, higher-value offerings to students are most likely to survive.^{viii}
- **The rise of P3-type partnerships and other unique partnership arrangements to fund capital projects and new research and teaching programs.**

ⁱ HESA (2022). Canada Profile. Retrieved from <https://higherstrategy.com/wp-content/uploads/2022/03/Canada-1.pdf>.

ⁱⁱ Government of Alberta (2019). Blue Ribbon Panel on Alberta's Finances. Retrieved from <https://open.alberta.ca/dataset/081ba74d-95c8-43ab-9097-cef17a9fb59c/resource/257f040a-2645-49e7-b40b-462e4b5c059c/download/blue-ribbon-panel-report.pdf>.

ⁱⁱⁱ The 2022/23 estimates were shared in conversation with the Ministry of Advanced Education.

^{iv} HESA (2022). Environmental Scan, Commissioned by UofA. Retrieved from <https://www.ualberta.ca/strategic-plan/media-library/2022-10-27-uofa-environmental-scan.pdf>.

^v Falkenberg L. & Cannon, E. (2021). Future Proof Universities Must Have Visible Strategies for the Disruption Upon Us. Retrieved from <https://www.socialsciencespace.com/2021/04/future-proof-universities-must-have-visible-strategies-for-the-disruption-upon-us/>.

^{vi} Kang, J. (2022). At a Point Between Disruption and Transformation. Retrieved from <https://www.aacsb.edu/insights/articles/2022/01/at-a-point-between-disruption-and-transformation>.

^{vii} Statistics Canada (2019). Student debt from all sources. Retrieved from <https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=3710003601>.

^{viii} Pulsipher, S. (2020). COVID-19 Accelerates 3 Trends Facing Higher Education. Retrieved from <https://www.forbes.com/sites/scottpulsipher/2020/07/08/covid-19-accelerates-3-disruptive-trends-facing-higher-education/?sh=5536a32238df>.