Financial information of universities for the 2018/2019 school year and projected impact of COVID–19 for 2020/2021

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Canada's 147 public universities spent $28.9 billion during the 2018/2019 academic year, unchanged from 2017/2018. Revenues increased 3.1% to $30.7 billion. Tuition fees from international students accounted for over one-third of the tuition fees received by Canadians universities in 2018/2019.

The COVID–19 pandemic has had a significant impact on the Canadian economy and postsecondary institutions are no exception, especially in light of uncertainty surrounding international student enrollment. To better assess the potential financial impact of the pandemic on Canadian universities, projection scenarios have been developed which indicate that, overall, these institutions could be facing potential losses ranging from $377 million (-0.8%) to $3.4 billion (-7.5%) during the 2020/2021 academic year depending on the scenario.

Government funding is the largest source of revenue

Universities and degree-granting colleges receive approximately three-quarters of their funding from government sources (45.8%) and tuition fees (29.4%). The remainder comes from donations, private grants, investments and other minor revenue streams. Funding from provincial governments rose by $48.1 million from a year earlier to $10.9 billion in 2018/2019. However, as a share of total funding, provincial funding has decreased over time, falling from 38.6% in 2013/2014 to 35.4% in 2018/2019.

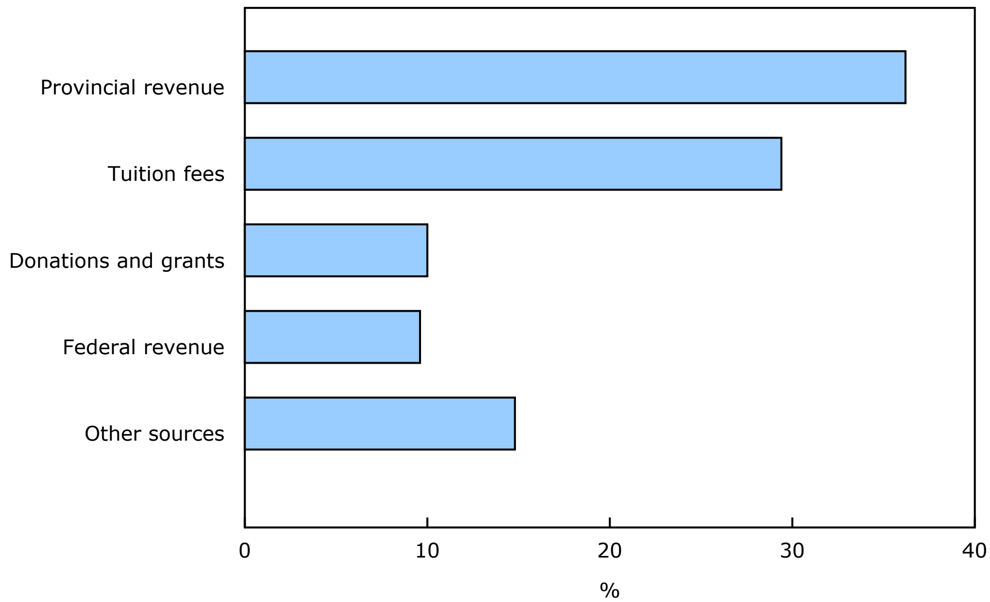
In addition to provincial funding, federal government funding accounted for $3 billion in revenues in 2018/2019. Almost all of the federal funding (93.4%) was directed toward sponsored research through research granting programs, such as the Social Sciences and Humanities Research Council or the Natural Science and Engineering Research Council. The remaining 6.6% was used for general operating, special purpose, ancillary and capital expenditures. Provincial funding was primarily earmarked for operating costs and capital spending.

Tuition and other fees account for a growing share of revenue

Institutions received $9.0 billion in revenue from tuition and other fees in 2018/2019, up $619.5 million from 2017/2018. While the share of funding from provincial governments has declined over time, the share of revenues from tuition fees has grown (from 24.7% in 2013/2014 to 29.4% in 2018/2019). Total revenue from tuition increased by almost one-third over the same period, from $6.9 billion to $9.0 billion.

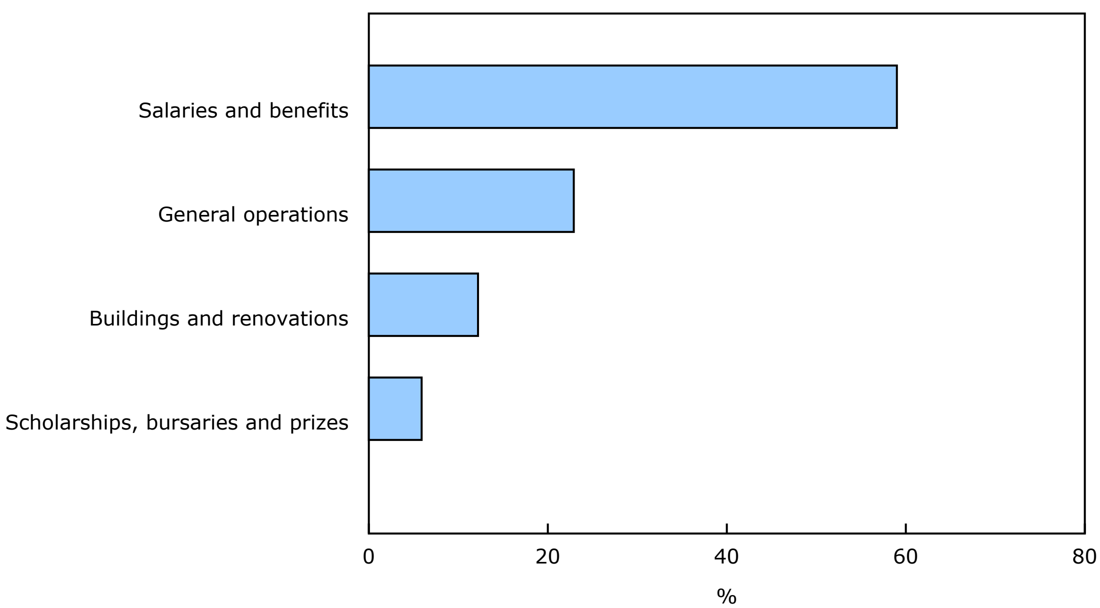
The reliance on tuition as a revenue source has grown over the past decade. An important element of this is the growing number of international students, who pay substantially higher tuition than domestic students and account for an increasing share of postsecondary students in Canada.

Chart 1
Distribution of university revenues by main category, 2018/2019



Source(s): Financial Information of Universites and Colleges (3121).

Chart 2
Distribution of university expenditures by main category, 2018/2019



Source(s): Financial Information of Universites and Colleges (3121).

In 2008/2009, there were 88,014 international students at Canadian universities, accounting for 7.9% of all students. By 2017/2018, this number had increased to 196,563, representing 14.7% of all university students. In 2020/21, international undergraduate students paid an average annual tuition of $32,041, almost five times the average for domestic students ($6,610). It is estimated that international students paid almost 40% of all tuition fees and accounted for almost $4 billion in annual revenue for Canadian universities in 2017/2018.

Potential impact of the pandemic on university revenues in 2020/2021

The pandemic has the potential to impact enrollments of international and domestic students at Canadian universities for the 2020/2021 school year. This, in turn, could affect the revenues universities received from tuition.

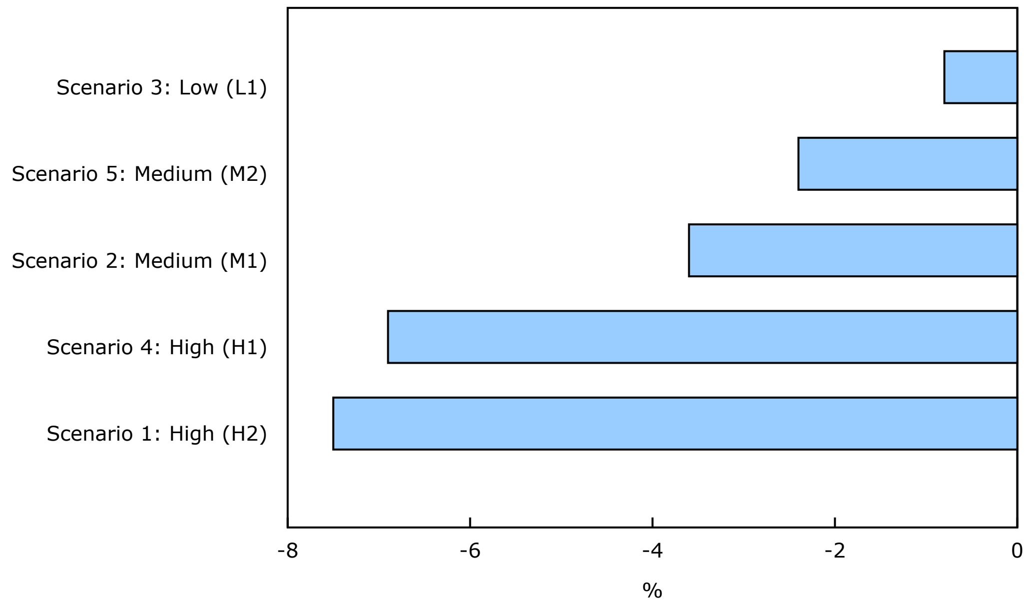
To assess the potential financial impact of the pandemic on Canadian universities in the 2020/2021 school year, five preliminary projection scenarios have been developed based on possible changes in international and domestic student enrollments. These scenarios also take into account the $450 million for universities invested by the federal government in the creation of the Canada Research Continuity Emergency Fund (See note to readers).

The projection assumptions for international student enrollments in 2020/2021 are based on international student permit holder data from Immigration Refugee and Citizenship Canada, which have historically been correlated with international student enrollments. The number of student permits issued from June to August 2020 fell by over half (-58%) compared with 2019. Of the permits granted up to August 2020, one-eighth (13%) were no longer valid at the beginning of September 2020 and nearly one-third (32%) will no longer be valid by January 2021.

Projection scenarios, built on trends in student permit holders, show that Canadian universities could possibly lose between $377 million (or 0.8% of projected revenues) and $3.4 billion (or 7.5% of projected revenues) in 2020/2021, depending on the size of the reduction in international student enrollments and the subsequent loss in tuition fees (unadjusted for inflation).

The first scenario, projecting the highest loss in revenue (-$3.4 billion), assumes 58% fewer international students and a stable number of domestic students. A second scenario shows that if the number of international students were to decrease by nearly one-third (-32%), and the number of domestic students remained unchanged, the financial loss would be $1.6 billion or 3.6% of overall projected university revenues for 2020/2021. In the third projection scenario, if the number of international students declined by 13%, the loss to Canadian universities would be $377 million.

Chart 3
Projected percent of total revenue loss, universities, 2020/2021 based on various scenarios



Source(s): Calculations based on Financial Information of Universities and Colleges (FIUC), Post-Secondary Information System (PSIS), Tuition and Living Accommodations Costs (TLAC), Labour Force Survey (LFS) and international student permit holder data from Immigration Refugee and Citizenship Canada.

COVID–19 could also have an impact on the enrollment of domestic students in Canadian universities. According to the Labour Force Survey, from May to August, an average of 20% of 17 to 24 year-olds who were attending school full-time in March, and who had the potential to return to school full-time in the fall, said they would not be returning to school. This number excludes students in Quebec, aged 17 to 19, who are most likely to be in CEGEP. A fourth projection factors in this possible 20% decrease in domestic student enrollments and applies the mid-range scenario of a 32% decrease of international students. In this scenario, the projected financial losses could amount to $3.1 billion or 6.9% of projected revenues.

The fifth scenario assumes a domestic student increase of 7%. This is based on what was observed after the 2008 recession, where enrollments increased. It also applies to the mid-range scenario (32% decrease of international students). Given these assumptions, financial losses would amount to $1.1 billion (2.4% of projected revenues).

The pandemic may also negatively affect other university revenue streams such as ancillary revenue (book stores, cafeterias and residence) and investment income earnings. Ancillary revenue, which accounts for approximately 8% of total revenues, is not driven directly by enrollment, but is dependent upon students being on campus or at other university facilities.

Nearly 6 out of every 10 dollars is spent on university staff and teaching salaries and benefits

In anticipation of revenue losses, some institutions have announced plans to reduce operating costs (See note to readers for examples). Most operating costs are for salaries and capital expenditures. Nearly 6 out of every 10 dollars is spent on university staff and teaching salaries and benefits. The largest share of university expenditures was on staff compensation (salaries, wages and benefits), accounting for $17 billion in 2018/2019, up $319 million from 2017/2018. Nevertheless, total compensation has edged down as a share of total expenditures, falling from 60.3% in 2013/2014 to 59.0% in 2018/2019.

In 2018/2019, net capital expenditures by universities and degree-granting colleges decreased by $616 million from the previous year to $3 billion, accounting for 10.6% of total expenditure. Capital expenditures cover longer-term acquisitions like property, building, large renovations, and equipment purchases.

Large annual fluctuations are common in capital spending. This is because capital expenditures are recorded when the expense takes place and amortization costs are not recorded over the life of the asset. For 2020/2021, universities may require additional capital expenditures to support the expansion of online course delivery made necessary by the pandemic. These types of expenditures and additional cost reductions have not been factored into the above projection scenarios and could have an impact on the overall financial position of universities.

Note to readers

Revenue and expenditure data are distributed by fund. These funds are: general operating (an unrestricted fund that accounts for the institution's primary activities of instruction and research, other than sponsored research), special purpose and trust, sponsored research, ancillary, capital and endowment.

Data for this release cover 147 universities and degree-granting colleges. All dollar figures are adjusted for inflation unless otherwise specified.

Caution should be taken when comparing provincial data directly since provinces have different funding formulas and mechanisms.

A series of methodological assumptions are used to produce the financial projections of the impact of the pandemic on university revenues in 2020/2021. These projections are made by integrating various sources of administrative and survey data already available at Statistics Canada such as the Financial Information of Universities and Colleges (FIUC), Post-Secondary Information System (PSIS) and Tuition and Living Accommodations Costs (TLAC) and the Labour Force Survey (LFS). To estimate international student enrollment in 2020/2021, data from Immigration Refugee and Citizenship Canada on international student permit holders was used. TLAC and PSIS provide average tuition prices and enrollment data by province and field of study, and can be used in combination with each other to derive the approximate proportion of total tuition revenue coming from foreign and domestic students since it is not available in FIUC.

Five plausible financial projection scenarios were developed:

- *Scenario 1: High (H2): High decrease in international student enrollment (-58%) + $450 million in federal research funding*
- *Scenario 2: Medium (M1): Medium decrease in international student enrollment (-32%) + $450 million in federal research funding*
- *Scenario 3: Low (L1): Low decrease in international student enrollment (-13%) + $450 million in federal research funding*
- *Scenario 4: High (H1): M1 + decrease of 20% in Canadian student enrollment +$450 million in federal research funding*
- *Scenario 5: Medium (M2): M1 + decrease of 7% in Canadian student enrollment +$450 million in federal research funding*

Here are a few examples of institutions that have announced plans to reduce operating costs:

- *University of Ottawa*
- *Manitoba universities*
- *Laurentian University*
- *University of Alberta*
- *McGill University*

Available tables: 37-10-0026-01 and 37-10-0027-01.

Definitions, data sources and methods: survey number 3121.

For more information, or to enquire about the concepts, methods or data quality of this release, contact us (toll-free 1-800-263-1136; 514-283-8300; **STATCAN.infostats-infostats.STATCAN@canada.ca**) or Media Relations (613-951-4636; **STATCAN.mediahotline-ligneinfomedias.STATCAN@canada.ca**).