The impact of the COVID-19 pandemic on university finances for the 2020/2021 fiscal year

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During the 2020/2021 COVID-19 pandemic year, Canadian universities reported record-high surplus revenues of $7.3 billion, the highest since Statistics Canada started collecting data in 2000/2001. Collectively, universities demonstrated resilience by rapidly transitioning to virtual learning environments and performed better than projected, despite travel restrictions affecting international students, campus services being closed, and residences operating at lower capacity.

All-time high investment income behind the record-high surplus revenues

In the wake of the pandemic, despite concerns over student enrolments and higher expenditures required to implement public health measures, university revenues increased by 12.8% to total $46.3 billion, while their expenditures decreased by 3.8% to total $39.0 billion. Provincial funding ($15.1 billion) was still the largest source of revenue for universities, followed by tuition and other fees ($13.3 billion), investment income ($5.4 billion), federal funding ($5.3 billion), and donations and grants ($4.4 billion).

The strong performance can be mainly attributed to record-high earnings of $5.4 billion in investment income in 2020/2021, compared with $44.3 million in 2019/2020 (previous years’ data have been adjusted for inflation) and a $1.4 billion annual average over the previous five years (2015/2016 to 2019/2020). The share of investment as part of overall revenue rose to 11.7% in 2020/2021, compared with the pre-pandemic year (0.1%), to become the third largest source of revenue, after provincial revenue (32.5%) and tuition revenue (28.8%).
Investment income for the universities is volatile and yielded negative returns in 2002/2003 and 2008/2009. The largest recorded loss was $2.2 billion during the 2008/2009 economic downturn. Universities' exceptionally high returns on investments in 2020/2021 coincided with the strong performance of the stock market, as often measured by the performance of the Standard and Poor's 500 index.

Returns on investment vary across jurisdictions

The returns on investment varied across jurisdictions due to differences in investment strategies and portfolios among universities. Institutions in all provinces saw their interest revenue (as a proportion of total revenue) rise, with the largest gains being registered in Alberta (+17.5%) followed by New Brunswick (+17.3%).

Source(s): Financial Information of Universities (3121).
Increases in tuition revenue grow at a slower pace

Despite the rapidly evolving pandemic situation and the challenges it brought, tuition revenue increased by 2.7% in 2020/2021 compared with 2019/2020 but grew at a much slower pace than over previous five years (on average +5.1%). According to the latest data from the Tuition and Living Accommodation Costs (TLAC) survey, in 2020/2021, Canadian students paid more in tuition at both the undergraduate (+1.7%) and the graduate (+2.4%) levels compared with the previous year.

Newfoundland and Labrador recorded the largest decrease in tuition revenue (-8.1%) compared with 2019/2020, resulting mainly from the cancellation of non-credit programs and the elimination of other fees such as the student health and recreation fees. The largest increase in tuition revenues was reported in Alberta (+5.5%), followed by Ontario (+3.1%). The increase in Alberta was, to a large extent, due to the implementation of a new policy that ended a five-year freeze on tuition fees. Under this policy, institutions’ average tuition fees are capped at an annual increase of 7% for domestic students from 2020/2021 to 2022/2023.

Provincial funding for universities continued to drop in 2020/2021

Provincial funding remained the major source of income for universities in 2020/2021, making up $15.1 billion or 32.5% of total revenue. This was down from 36.7% in 2019/2020. In Newfoundland and Labrador (53.2%) and Quebec (49.5%), roughly half of the funding for universities was from direct provincial sources, while in Ontario it accounted for less than one-quarter (21.4%). Provincial funding in Ontario has been steadily declining since its peak of 42.1% in 2008/2009.
In 2020/2021, five provinces experienced a drop in provincial funding and five had an increase, ranging from a decrease of 4.8% for Newfoundland and Labrador to an increase of 4.3% for New Brunswick. Quebec universities ($4.4 billion) received the largest amount of direct provincial funding. This included funds from the $1.5 billion package announced by the Quebec government in 2018 and to be allocated over the next five years.

**Chart 3**

Note(s): Canada includes data for Yukon territory.
Source(s): Financial Information of Universities (3121).

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**Tuition revenue makes up for shortfalls in provincial funding**

From 2010/2011 to 2020/2021, as a percent of total revenue, tuition revenues went up from 21.5% to 28.8%, while provincial funding declined from 41.5% to 32.5%. This trend may be related to a steady shift towards more reliance on tuition fees—particularly from international students—to fund universities' operational activities. The latest TLAC data (2021/2022) show that international students, who accounted for 17.1% of total enrolment in 2019/2020 (latest year for which the data are available), paid on average three times more in tuition than their Canadian counterparts. Moreover, Quebec universities deregulated tuition fees for international students in 2018, while Newfoundland and Labrador institutions plan to end a 22-year tuition fee freeze in the fall session of the 2022/2023 school year.

During the pandemic, it should be noted that most provinces supported universities through special funding measures. For example, Nova Scotia, Quebec, Ontario, and Manitoba provided additional funding directly to universities to help mitigate the financial impact of the pandemic caused by losses in total tuition and ancillary revenues, as well as increased expenses incurred in the implementation of public health measures.
Federal government supports universities in 2020/2021

The federal government also increased their funding to help support universities during the pandemic, with grants totalling $5.3 billion. This accounted for 11.4% of total revenue of all universities in 2020/2021 compared with $4.2 billion (or 10.3%) of total revenue in 2019/2020. This $1.1 billion increase represents the highest year-over-year percent increase (+24.0%) since the beginning of this data series in 2000/2001. The total federal funding included a grant of $416 million awarded under the Canada Research Continuity Emergency Fund to help universities sustain their research programs. Federal funding was mostly directed towards sponsored research (91.3%) with the remaining fund (8.7%) going to general operating, special purpose, ancillary, and capital expenditures.

Universities lost close to half of product and service-based revenue

In 2020/2021, universities lost close to $1.5 billion (or 47.6%) of their revenue from the sale of services and products, predominantly revenues from residences and other auxiliary services. In 2019/2020, these revenues accounted for 7.6% of the total revenue of Canadian universities. This decreased to 3.5% in 2020/2021. Losses were incurred across jurisdictions, with Ontario registering the highest decrease of more than half (-58.7%) of its...
ancillary revenues and Prince Edward Island (-19.9%) the lowest. The pandemic heavily impacted ancillary services such as cafeterias, gyms, and residences, which are in-person businesses and are difficult to transition into online business models.

Expenditures declined in the pandemic year

Universities were able to scale down expenditures in 2020/2021 by 3.8% compared with the previous year, spending a total of $39.0 billion compared with $40.6 billion a year earlier. This represents the largest decrease since the beginning of the data series in 2000/2001. In 2020/2021, 9 out of 10 provinces spent less than in 2019/2020, with the largest decrease recorded in Alberta (-10.8%) and the smallest decrease recorded in Quebec (-1.1%). The decrease in Alberta was mainly attributed to universities responding to cuts in provincial funding. Prince Edward Island (+$11.5 million) was the only province reporting an increase in total expenditures, spending 7.5% more than in 2019/2020.

Salaries and benefits, which account for two-thirds of total expenditures, went down slightly in 2020/2021 (-0.8%). Salaries and wages for non-instructional staff decreased by 1.6% compared with a decrease of 0.2% for academic staff salaries, indicating more lay-offs or non-renewal of contracts in the non-academic staff group. Data from the University and College Academic Staff System survey indicates that the number of full-time academic staff went up from 47,007 in 2019/2020 to 47,547 in 2020/2021 in Canadian universities. The slight drop in academic staff salaries might be an indication that universities employed fewer part-time academic staff in 2020/2021. All provinces, except for Quebec and British Columbia, had an overall drop in salaries and wages.

University expenditure on capital projects increase in 2020/2021

In 2020/2021, capital expenditures of Canadian universities, which made up 8.8% of total expenditures, rose to $3.4 billion from $3.3 billion a year earlier, representing an increase of 2.0% in spending on capital projects such as, land, building and equipment. This increase follows year-over-year declines in 2018/2019 (-16.8%) and 2019/2020 (-25.9%). Prince Edward Island had the largest increase from $10.9 million in 2019/2020 to $28.9 million in 2020/2021, mostly fuelled by the investment in capital projects such as the Canadian Games Residence and Canadian Centre for Climate Change and Adaptation facility. Funding for capital projects is generally earmarked well in advance, and is based on binding contractual agreements, making it very difficult for universities to quickly reduce expenditures in this area.

Improvement in university finances expected with resumption of on-campus activities

The repercussions of the pandemic will continue to be felt in the year 2021/2022, and it might take years for universities to return to the pre-pandemic growth levels. Significant gains in investment income allowed provinces to end the 2020/2021 fiscal year with surpluses. However, a similar performance is unlikely for the upcoming year given the drop in the stock market at the beginning of 2022, which may in turn impact interest income revenue. With easing of public health measures during the 2021/2022 academic year, many aspects of campus life have returned, and may increase university finances through other sources of revenue such as ancillary services and tuition fees.
**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 148 universities and degree-granting colleges. All dollar figures are adjusted for inflation unless otherwise specified.

Caution should be taken in comparing provinces directly since provinces have different funding formulas and mechanisms.

Yukon has been included in the analysis at the Canada level. The data from this territory have not been analyzed separately due to 2020/2021 being the first year that Yukon University participated in the Financial Information of Universities survey.

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

**Definitions, data sources and methods:** survey number 3121.

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