



Vancouver School of Economics Undergraduate Society

November 1st, 2015

RE: Tuition Analysis in Economics, 2015

Dear UBC Board of Governors,

On October 14th, 2015, UBC announced a series of proposed increases in international tuition to most undergraduate degrees and some graduate degrees. These increases were the result of a Board of Governors motion that was passed in June 2015, to adjust international tuition levels to reflect the status of UBC as a global university.

Within the Vancouver School of Economics, there are three affected programs: the Bachelor of International Economics, the Bachelor of Arts in Economics, and finally the Masters of Arts in Economics. This analysis will mostly contribute to the understanding and benchmarking of the Bachelor of International Economics and Masters of Arts in Economics, the two degrees offered specifically in the Vancouver School of Economics.

Bachelor of International Economics:

For the Bachelor of International Economics, from our own analysis, UBC's definition of comparable program at peer institutions seem to be the Bachelor of Commerce (or equivalent) degree at these peer institutions. This is not the right way to benchmark the BIE program. This is due to the fact that even though Bachelor of International Economics has some Commerce components, it is largely an economics degree; its major teaching staffs are economists and not business professors. In addition, the program is still at its early stages with no graduates produced. It is inappropriate to judge that the value of the BIE degree is comparable to those of established Commerce programs.

This analysis finds that for the Bachelor of International Economics, using the budget data provided by the school during the program's creation in 2012¹², there is no need for additional surplus. This budget data used is appropriate as there hasn't been any significant change in the program delivery that has been observed or reported by VSEUS that is in excess of these budget items. We adjusted the revenue model from the original budget proposal for two scenarios. The first scenario reflects the current state, with a 3% increase per annum for new international students. The second scenario reflects the proposed state (of 15% increase per annum for the first two years for incoming students.) We do not project the financial status of 2018/2019 as cost data is not available and we would like to avoid unfair extrapolation of costs. We believe that our point is illustrated well even without taking fiscal 2018/2019 into consideration.

Using the above model (detail provided in the Appendix), staying with the first scenario will, after subtracting for direct costs and allocation given to all other faculties, Arts (VSE) will be expecting to have a \$1 million surplus in 2017/2018. With the proposed increases, assuming all of the incremental

¹ BoG Request for Decision: BIE tuition(http://bog2_sites.olt.ubc.ca/files/2012/11/4.1_2012.12_BIE-Program-Tuition.pdf)

² AMS Submission to Board of Governors on BIE tuition (<http://www.ams.ubc.ca/wp-content/uploads/2012/12/AMS-Submission-to-BoG-Proposed-BIE-Tuition-Nov-27.pdf>)



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revenue goes towards the school, this net surplus increases to \$1.23 million (a 20% increase.)

| | 2015/2016 | 2016/2017 | 2017/2018 |
|---|------------------|------------------|------------------|
| Domestic Tuition Revenue (Differential) | \$385,970 | \$524,920 | \$535,410 |
| International Tuition Revenue | \$3,782,460 | \$5,227,250 | \$5,496,970 |
| Total Tuition Revenue | \$4,168,430 | \$5,752,170 | \$6,032,380 |
| Arts (VSE) net contribution after cost and other allocation | \$298,130 | \$855,020 | \$1,011,450 |

Table 1 – Tuition Model in Scenario 1 (current tuition model)

| | 2015/2016 | 2016/2017 | 2017/2018 |
|---|------------------|------------------|------------------|
| Domestic Tuition Revenue (Differential) | \$385,970 | \$524,920 | \$535,410 |
| International Tuition Revenue | \$3,782,460 | \$5,386,760 | \$6,007,410 |
| Total Tuition Revenue | \$4,168,430 | \$5,911,670 | \$6,542,820 |
| Arts (VSE) net contribution after cost and other allocation | \$298,130 | \$952,830 | \$1,234,660 |

Table 2 – Tuition Model in Scenario 2 (proposed tuition model)

VSEUS would like to bring to attention, the Board’s decision in 2012 to approve the Bachelor of International Program. The board agreed in that meeting that the BIE tuition number as initially proposed was in excess of where tuition needs to be. As such, the board voted to approve the program with a tuition level that was more appropriate (7% above Sauder at the time.) This decision has not been a detriment to the program, widely reflected by the popularity of the program, the range of students it attracts and the engagement these students have already done³. In fact, the only issue that has been brought up by students recently surrounds the cancellation of the International Service Learning program, which initially was envisioned to form the cap-stone class for the BIE program⁴.

In addition, in the initial proposal, a benchmarking process was conducted, with many schools used in the benchmarking process used in this round of benchmark. At that point, the proposed tuition (\$29,000 for international students) was agreed to have been set at the appropriate level. Though

³ Meet the BIE Students(https://www.youtube.com/watch?v=CTmJplXaXpw&ab_channel=VancouverSchoolofEconomicsatUBC)

⁴ International Service Learning Program Cancelled(<http://ubyssey.ca/news/ubc-cancels-international-service-learning-program142/>)



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initially, this was lowered to around (\$27,900); last year's 10% increase in all incoming international tuition program for undergraduate students has increased the program tuition to be above this initial proposed level (once adjusted for a 3% annual increase.) However, the result of this round of benchmarking seems to directly contradict the previous round of benchmarking as it seems to say that the initial proposed levels were not high enough. This fact alone shows that the proposed tuition levels are highly subjective in nature and does not translate directly on the quality of the program at BIE or the result of a rigorous and fair benchmarking process.

This year was the first projected year where the net contribution of the BIE program was significant (in the tune of \$240,000), this was reflected in the hiring of many new Assistant Professors and Sessional Lecturers (5 in total), in excess of the school's hiring tradition of 2 Assistant Professors per year. Despite this, we do not believe that enough justification has been given on how the school is using the net contribution from the program and therefore believe that it is inappropriate for further revenue to be made (though only a small portion of this incremental revenue is proposed to go toward the faculties) when the financial prospect for the program is highly positive.

We reached this conclusion, understanding that not all of the incremental revenue will in fact go towards the school. However, if UBC Central does express a need for its funds, it seems as though there could be a redistribution of the net contribution that Arts (VSE) is expected to receive without any major implication for the overall financial prospect (or planned investments by the VSE) of the school.

It is important at this point to clarify that VSEUS is not opposed to all tuition increases. Some tuition increases, especially when well justified (such as accounting for higher than general inflation for education), can be accepted. We are however, opposed to the magnitude of this increase specifically because of the poor justification that has been provided, as well as the rapid timeline of the increase. Furthermore, the proposed allocation of 60% into Strategic Investment Fund is left extremely vague. We would feel more comfortable commenting on the allocation if the decision on what Strategic Investment Fund is was made prior to the decision on the tuition increases. It is inappropriate to pass the increases and then finding ways to spend the revenue that comes as a result.

Bachelor of Arts:

We believe that there is little we can add in terms of analyzing the tuition status for the BA program as a whole. However, we acknowledge that the BA Economics program and undergraduate Economics classes are often oversubscribed and sometimes have the largest class in the university (the near 500 student sections of ECON101 come to mind.)

We are going to note however, that currently the program's admission is based on GPA without any other factors considered. It is a reality that there are never enough financial aids to support deserving international students (though we still advocate for increased allocation towards international financial aid.) This means that students who come from a less affluent background will be put on an increased level of financial pressure. This means that these students will be at a higher risk of compromising their academic performance due to these financial pressures. We urge BoG to consider whether it is appropriate to deny students who will be students at UBC a fair chance (academically) to participate in one of the best undergraduate Economics program in the world.

In addition, undergraduate research funding is usually limited in Economics. However, for those who would like to pursue a graduate degree in economics, undergraduate research experience is almost essential. Except for some rare cases, most students do have to engage in research opportunity at a



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below-subsistence wage. Without proper financial assistance to these students, we will also not allow them to be the best version of themselves.

By going through with this increase without properly reviewing both the magnitude and the financial aid that is available, UBC will not be doing justice to students who would benefit most from a UBC education. If UBC would like to be a university with a global standing, its responsibilities should also lie with that global community.

Masters of Arts in Economics

We were first surprised to learn that Masters of Arts in Economics was within one of the programs that an increase in international tuition was proposed. In UBC, Masters of Arts in Economics is a program that has a primary objective of preparing students for a PhD program in Economics. Though it is true that there are many students who do not continue pursuing academia after their Masters degree, it is designed to be academically rigorous and prepare students for serious research. Therefore, we first contest the characterization of the Masters of Arts in Economics as a “professional program”, especially in absence of any alternative program at UBC for an Undergraduate student in Economics to transition to a graduate level Economics program.

This distinction is important as both the comparable program used in the benchmarking process and the funding justification for this program depends on whether the MA Economics program is an academic program or a thesis program. As an example, though the Doctoral-stream MA Economics program in University of Toronto charge a \$20,000 tuition fee, it awards “*every student admitted to the Doctoral Stream MA \$15,000-\$18,000 plus tuition and incidental fees.*”⁵ In contrast, no ordinary funding is available for the General MA program at the University of Toronto. In contrast, at UBC, international students in the MA Economics program receive a partial scholarship, covering the difference between domestic tuition and international tuition. In addition, they will also be awarded a teaching assistance position, earning \$11,469.60. There is no commitment (that we know of) that is given that this partial scholarship will have the same value after the increases.

Given this important distinction and given the academic nature of the program, we were perplexed to see the MA Economics program at UBC to be defined as a Professional program. In addition, we were further perplexed when the program was benchmarked against many programs that are in no way related to MA Economics program at UBC. Notably, the tuition fee for the comparable program at Duke University was noted at \$120,000(CAD). The closest program at Duke we can find that has that level of tuition is the MBA program, a 2 year program at \$60,000(USD)/year. The Master’s program in Economics has tuition of \$23,795(USD)⁶. This is simply unacceptable. It is unacceptable when the definition of the Masters program of Economics is intentionally skewed to justify inappropriate benchmarking method to “prove” that the tuition levels of this program are below the benchmark.

It is again important to clarify that VSEUS is not opposed to the formation of a professional based Masters degree in Economics. However, we find it inappropriate that the MA Economics program as of its current structure is considered anything other than an excellent academic program. This decision, unlike other program, will hurt the MA Economics program at UBC and Economics at UBC more broadly, especially when most MA students do act as teaching assistant to undergraduate

⁵ University of Toronto Economics funding (<https://www.economics.utoronto.ca/index.php/index/graduate/standardFunding>)

⁶ Cost to Attend – Graduate School at Duke University (<https://gradschool.duke.edu/financial-support/cost-attend>)



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students. In addition, UBC will actively take away one of the few opportunity current undergraduate students have to pursue academic research in Economics, an aspect UBC is so keen to excel at.

Conclusion

We, as UBC students, want UBC to succeed. We would like to see UBC become a leader in many aspects, including research, sustainability and excellence. We are not opposed to these increases to oppose UBC becoming something better. We are opposing these precisely because UBC can do better. UBC can do better than presenting its community with poor “research” to justify increases. UBC can do better than shrugging and agreeing that it doesn’t have a good measure of diversity. UBC can do so much better than refusing to acknowledge the impact this change will have on its future students.

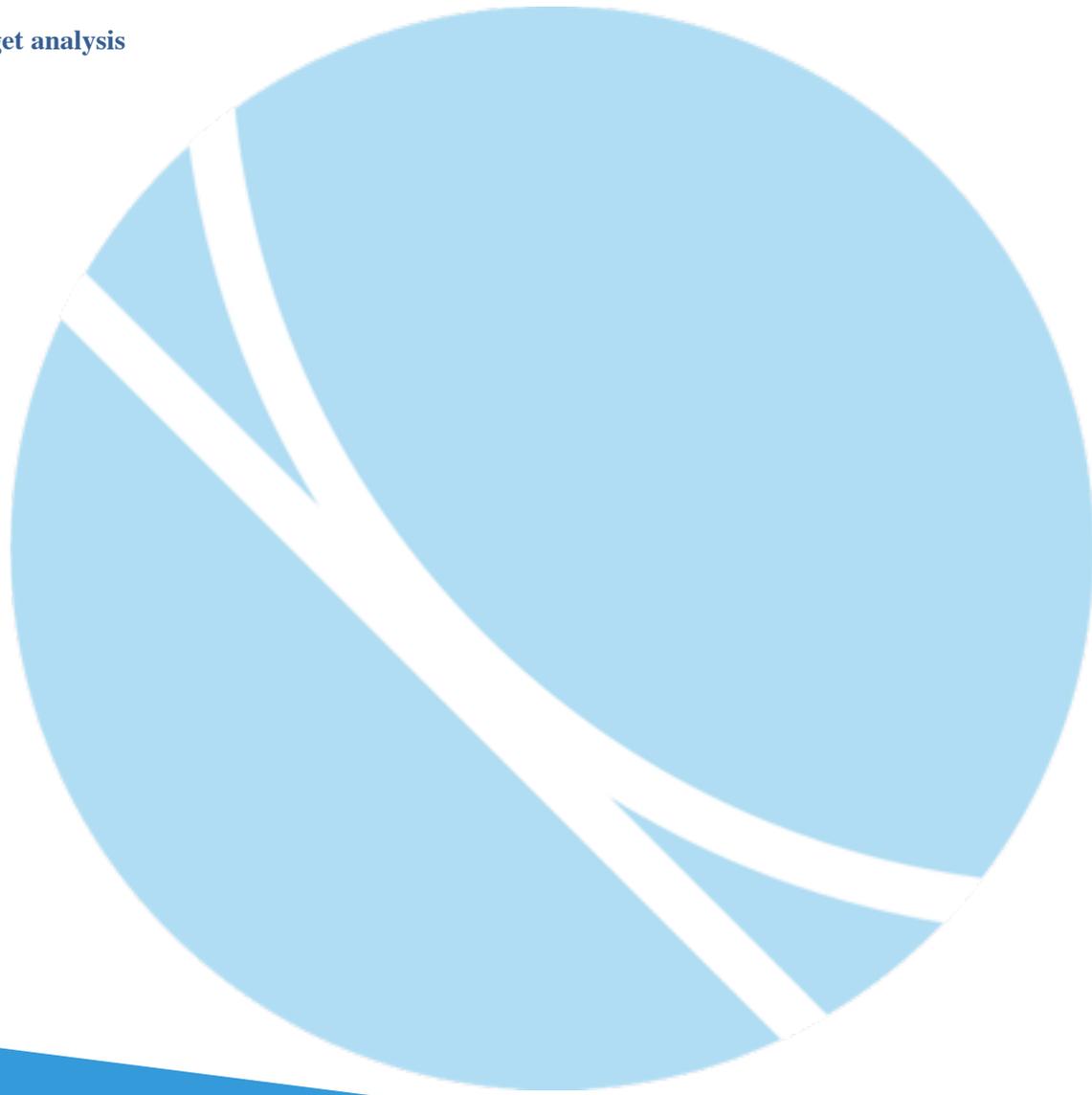
We invite the Board of Governors to read this analysis with an open inquisitive mind. We hope that you will reach the same conclusion that we reach.

Yours sincerely,

Daniel Gao | President, Vancouver School of Economics Undergraduate Society

Viet Vu | AMS Rep, Vancouver School of Economics Undergraduate Society

Attached: BIE Budget analysis





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Appendix A-1 Scenario 1(current state)

| | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 | 17/18 |
|---|--------|--------|-----------------|-----------------|----------------|-----------------|-----------------|
| Domestic Tuition (Difference) | | | 2875.82 | 2933.33 | 2992.00 | 3051.84 | 3112.88 |
| Intl. Tuition | | | 27933.80 | 28771.82 | 31649.00 | 32598.47 | 33576.42 |
| Domestic Enrolment | | | 43.00 | 86.00 | 129.00 | 172.00 | 172.00 |
| Intl. Enrolment | | | 42.00 | 84.00 | 126.00 | 168.00 | 168.00 |
| Revenue | | | | | | | |
| Domestic Tuition Revenue (differential only) | | | 123660.1 307 | 252266.6 667 | 385968 | 524916.4 8 | 535414.8 096 |
| ISI Tuition Revenue | | | 1173219. 771 | 2405100. 53 | 3782460. 54 | 5227245. 491 | 5496970. 007 |
| Total Tuition Revenue | | | 1296879. 901 | 2657367. 196 | 4168428. 54 | 5752161. 971 | 6032384. 816 |
| Direct Program Expenses in Faculties | | | | | | | |
| Teaching Costs (include benefits) | | | 583251 | 1077002 | 1607463 | 1846726 | 1915041 |
| Teaching Costs - Econ (incl. Benefits) | | | 186000 | 386136 | 601214 | 714060 | 741194 |
| Teaching Costs - Sauder (incl. Benefits) | | | 270000 | 560520 | 872730 | 995893 | 1033737 |
| Teaching Costs - Science | | | 55026 | 56677 | 58377 | 60128 | 61932 |
| Teaching Assistants (5/6 Arts and 1/6 Econ) | | | 72225 | 73669 | 75142 | 76645 | 78178 |
| Staff Costs (includes benefits) | | 70000 | 84400 | 85828 | 87285 | 88770 | 103286 |
| Staff - Econ (includes benefits) | | 70000 | 71400 | 72828 | 74285 | 75770 | 90286 |
| Staff - Sauder (includes benefits) | | | 13000 | 13000 | 13000 | 13000 | 13000 |
| Teaching + Staff Costs | | 70000 | 667651 | 1162830 | 1694748 | 1935496 | 2018327 |
| IT Costs | | 1387 | 2380 | 4330 | 5888 | 7508 | 7658 |
| Operating Expenses (15% of Arts net tuition revenue) | | | 77668 | 175639 | 273981 | 376943 | 387513 |
| Space Operating Costs | | | 16500 | 18000 | 18000 | 18000 | 18000 |
| Overhead Costs (5% of Arts net tuition revenue) | | | 25889 | 58546 | 91327 | 125647 | 129171 |
| Career Centre Costs | | | 104060 | 124100 | 134420 | 138611 | 138611 |
| Total Direct Recurring Expenses in Faculties | | 71387 | 894148 | 1543445 | 2218364 | 2602205 | 2699280 |
| One Time Expenses | 15000 | 10000 | 45000 | 50000 | 40000 | 70000 | |
| Net Surplus/(Deficit) | -15000 | -81387 | 357731.9 012 | 1063922. 196 | 1910064. 54 | 3079956. 971 | 3333104. 816 |
| Tuition Allocation | | | | | | | |



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| | | | | | | | |
|--|-----------------|-----------------|------------------|------------------|------------------|------------------|------------------|
| Central Portion (include bad debt and credit cards) | 418892.2 081 | 858329.6 044 | 1346402. 418 | 1857948. 317 | 1948460. 296 | | |
| SFAA | 81703.43 378 | 167414.1 334 | 262610.9 98 | 362386.2 042 | 380040.2 434 | | |
| Arts Portion | 490220.6 027 | 1110248. 015 | 1768247. 387 | 2457898. 81 | 2576431. 555 | | |
| Sauder Portion | 252761.8 928 | 466367.9 429 | 731976.0 517 | 1010654. 858 | 1059890. 012 | | |
| Science Portion | 52134.57 203 | 53678.81 736 | 56273.78 529 | 58672.05 21 | 61530.32 513 | | |
| Total Allocation Out (Rough) | 1295712. 709 | 2656038. 513 | 4165510. 64 | 5747560. 241 | 6026352. 432 | | |
| Total Allocation Out (excluding Arts) | 805492.1 067 | 1545790. 498 | 2397263. 253 | 3289661. 431 | 3449920. 876 | | |
| Cost Allocation: | | | | | | | |
| Arts Direct BIE Costs | 15000 | 81387 | 589536 | 950970 | 1301733 | 1590410 | 1564581 |
| Sauder Direct BIE Costs | | | 295038 | 585798 | 898254 | 1021667 | 1059767 |
| Science Direct BIE Costs | | | 55026 | 56677 | 58377 | 60128 | 61932 |
| Arts Net Surplus/(Deficit) | -15000 | -81387 | -99315.4 1 | 159278.0 9 | 466514.3 1 | 867488.8 6 | 1011850. 6 |
| Sauder Net Surplus/(Deficit) | | | -42276.1 1 | -119430. 05 | -166277. 94 | -11012.1 4 | 123.012 |
| Science Net Surplus/(Deficit) | | | -2891.42 797 | -2998.18 2636 | -2103.21 4708 | -1455.94 7896 | -401.674 8733 |
| Arts (VSE) Contribution after making Sauder and Sci whole | -15000 | -81387 | -144482. 9325 | 36849.77 489 | 298133.2 237 | 855020.7 206 | 1011448. 88 |



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Appendix A-2 – BIE Budget Analysis (Scenario 2 – with the proposed increases)

| | 11/12 | 12/13 | 13/14 | 14/15 | 15/16 | 16/17 | 17/18 |
|---|--------|--------|-----------------|-----------------|------------|-----------------|-----------------|
| Domestic Tuition (Difference) | | | 2875.82 | 2933.33 | 2992.00 | 3051.84 | 3112.88 |
| Intl. Tuition | | | 27933.80 | 28771.82 | 31649.00 | 36396.35 | 41855.80 |
| Domestic Enrolment | | | 43.00 | 86.00 | 129.00 | 172.00 | 172.00 |
| Intl. Enrolment | | | 42.00 | 84.00 | 126.00 | 168.00 | 168.00 |
| Revenue | | | | | | | |
| Domestic Tuition Revenue (differential only) | | | 123660.130 7 | 252266.666 7 | 385968 | 524916.4 8 | 535414.8 096 |
| ISI Tuition Revenue | | | 1173219.77 1 | 2405100.53 | 3782460.54 | 5386756. 451 | 6007405. 079 |
| Total Tuition Revenue | | | 1296879.90 1 | 2657367.19 6 | 4168428.54 | 5911672. 931 | 6542819. 888 |
| Direct Program Expenses in Faculties | | | | | | | |
| Teaching Costs (include benefits) | | | 583251 | 1077002 | 1607463 | 1846726 | 1915041 |
| Teaching Costs - Econ (incl. Benefits) | | | 186000 | 386136 | 601214 | 714060 | 741194 |
| Teaching Costs - Sauder (incl. Benefits) | | | 270000 | 560520 | 872730 | 995893 | 1033737 |
| Teaching Costs - Science | | | 55026 | 56677 | 58377 | 60128 | 61932 |
| Teaching Assistants (5/6 Arts and 1/6 Econ) | | | 72225 | 73669 | 75142 | 76645 | 78178 |
| Staff Costs (includes benefits) | 70000 | | 84400 | 85828 | 87285 | 88770 | 103286 |
| Staff - Econ (includes benefits) | 70000 | | 71400 | 72828 | 74285 | 75770 | 90286 |
| Staff - Sauder (includes benefits) | | | 13000 | 13000 | 13000 | 13000 | 13000 |
| Teaching + Staff Costs | 70000 | | 667651 | 1162830 | 1694748 | 1935496 | 2018327 |
| IT Costs | | 1387 | 2380 | 4330 | 5888 | 7508 | 7658 |
| Operating Expenses (15% of Arts net tuition revenue) | | | 77668 | 175639 | 273981 | 376943 | 387513 |
| Space Operating Costs | | | 16500 | 18000 | 18000 | 18000 | 18000 |
| Overhead Costs (5% of Arts net tuition revenue) | | | 25889 | 58546 | 91327 | 125647 | 129171 |
| Career Centre Costs | | | 104060 | 124100 | 134420 | 138611 | 138611 |
| Total Direct Recurring Expenses in Faculties | | 71387 | 894148 | 1543445 | 2218364 | 2602205 | 2699280 |
| One Time Expenses | 15000 | 10000 | 45000 | 50000 | 40000 | 70000 | |
| Net Surplus/(Deficit) | -15000 | -81387 | 357731.901 2 | 1063922.19 6 | 1910064.54 | 3239467. 931 | 3843539. 888 |



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| Tuition Allocation | | | | | | | |
|---|------------|------------|-------------|------------|------------|----------|----------|
| Central Portion (include bad debt and credit cards) | 418892.208 | 858329.604 | 1346402.41 | 1909470. | 2113330. | | |
| | 1 | 4 | 8 | 357 | 824 | | |
| SFAA | 81703.4337 | 167414.133 | 262610.998 | 372435.3 | 412197.6 | | |
| | 8 | 4 | | 947 | 53 | | |
| Arts Portion | 490220.602 | 1110248.01 | 1768247.38 | 2526057. | 2794438. | | |
| | 7 | 5 | 7 | 843 | 374 | | |
| Sauder Portion | 252761.892 | 466367.942 | 731976.051 | 1038680. | 1149573. | | |
| | 8 | 9 | 7 | 934 | 454 | | |
| Science Portion | 52134.5720 | 53678.82 | 56273.7852 | 60299.06 | 66736.76 | | |
| | 3 | | 9 | 39 | 286 | | |
| Total Allocation Out (Rough) | 1295712.70 | 2656038.51 | 4165510.64 | 5906943. | 6536277. | | |
| | 9 | 3 | | 593 | 068 | | |
| Total Allocation Out (excluding Arts) | 805492.106 | 1545790.49 | 2397263.25 | 3380885. | 3741838. | | |
| | 7 | 8 | 3 | 749 | 694 | | |
| Cost Allocation: | | | | | | | |
| Arts Direct BIE Costs | 15000 | 81387 | 589536 | 950970 | 1301733 | 1590410 | 1564581 |
| Sauder Direct BIE Costs | | | 295038 | 585798 | 898254 | 1021667 | 1059767 |
| Science Direct BIE Costs | | | 55026 | 56677 | 58377 | 60128 | 61932 |
| Arts Net Surplus/(Deficit) | -15000 | -81387 | -99315.4 | 159278.02 | 466514.39 | 935647.8 | 1229857. |
| | | | | | | 4 | 374 |
| Sauder Net Surplus/(Deficit) | | | -42276.11 | -119430.06 | -166277.95 | 17013.93 | 89806.45 |
| | | | | | | 397 | 438 |
| Science Net Surplus/(Deficit) | | | -2891.42797 | -2998.18 | -2103.21 | 171.06 | 4804.76 |
| Arts (VSE) Contribution after making Sauder and Sci whole | -15000 | -81387 | -144482.93 | 36849.7748 | 298133.223 | 952832.8 | 1234662. |
| | | | | 9 | 7 | 4 | 14 |