

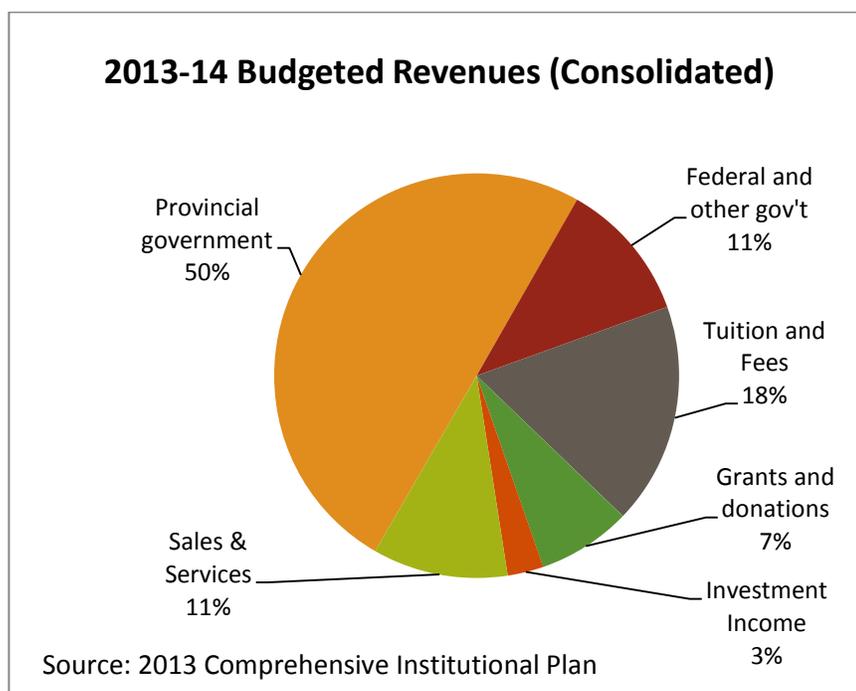
Understanding the University's Budget

Each year the University of Alberta spends approximately \$1.7 billion in support of its teaching, research and community services mission. The funds for this spending come from numerous sources and go toward thousands of costs, from salaries to software.

In this document we will show where the money comes from, where it is spent, who decides where it is spent and what rules are applied to guide these decisions.

Where the revenue comes from

- As a public institution, the university's largest funder is the Alberta taxpayer. For 2013-14 approximately 50 percent of the university's funding came from the provincial government.
- Tuition and fees—the revenue from students—represents the second largest source of revenue, at approximately 18 percent. This includes non-instructional fees for such things as athletics and health services.
- Revenue from sales of services and products represents 11 percent of revenue. Sales of services and products includes such things as parking, housing, the bookstore as well as cost-recovery programs within faculties, such as summer camps.
- Other revenue comes from the federal government – primarily research funding, deferred capital contributions, grants and donations, and investment income.

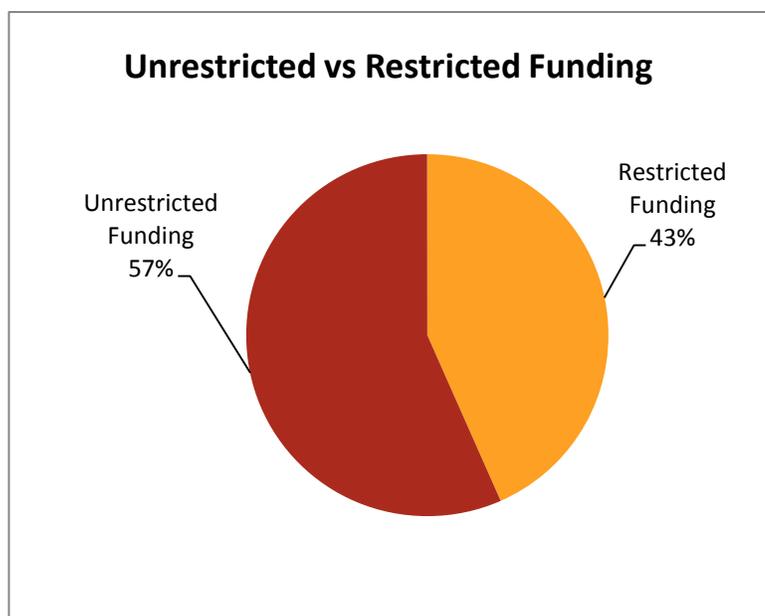


Not quite as simple as it might seem: restricted funds

One might imagine a single pot of money the university could simply draw upon to apply to the priority of the day. It's not that simple, however: many millions of those dollars can only be used for specific purposes that are spelled out by the people and organizations providing the money. Those dollars are referred to as "restricted funds."

- The most visible things resourced by restricted funds are new university buildings. Individual buildings, which can cost up to hundreds of millions of dollars, are paid for primarily by the Province. Restricted funds provided for a building by the Province must only be used for the construction of that particular building.
- Research revenue is restricted. Governments and other agencies provide money to the university to carry out research in specific areas. A grant is typically provided to a particular researcher to carry out particular research. That money shows up as university revenue, but it cannot be used to, for example, fund a new academic program or repair an aging building.
- Philanthropic donations are restricted. The university benefits from thousands of individuals and organizations who make philanthropic gifts to the university and members of its community. In most cases the giver of the gift specifies where the money goes, from student scholarships to research.

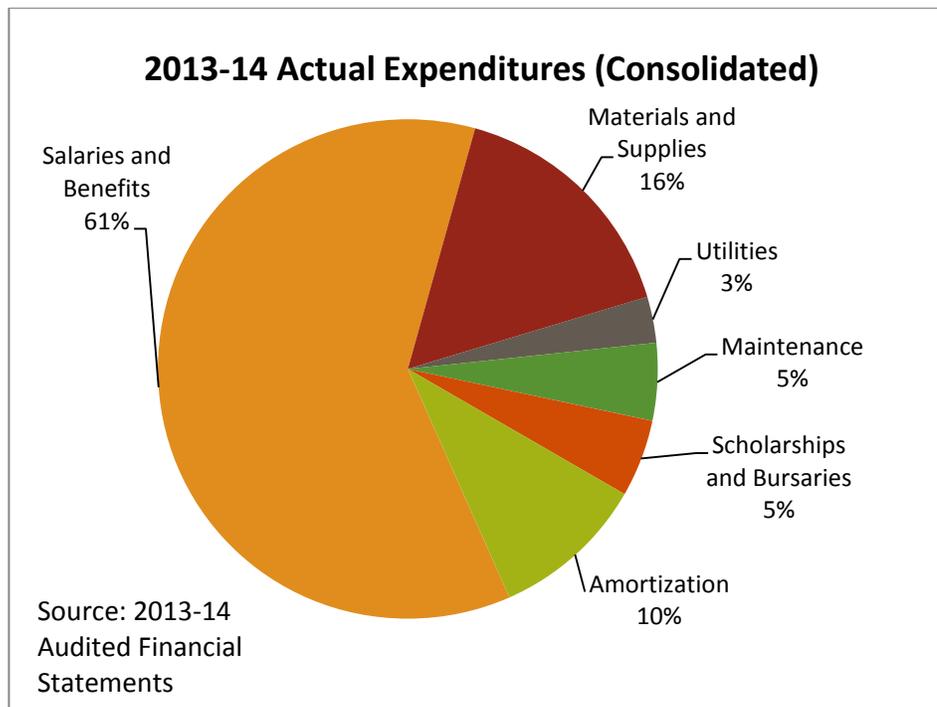
Of the \$1.7 billion in revenue received by the university, approximately 43 percent is restricted in one way or another. Approximately 57 percent, consisting primarily of the government grant plus tuition, makes up the university's operating budget. This is what funds the university's day-to-day teaching and learning activities.



Where the money is spent

The consolidated budget of \$1.7 billion is spent in several primary areas.

- Core to the university's mission is its people. Salaries and benefits, therefore, represent by far the most significant expenditure. Of the \$1.7 billion, 61 percent goes toward salaries and benefits.
- The next most significant expenditure, at 16 percent, is for materials, supplies and services. This is for the essential support across the university, from information technology to insurance, from libraries to teaching lab supplies.
- The remaining areas of expenditure include amortization of capital assets (the gradual expensing of an asset over a fixed number of years. This usually applies to buildings), utilities (heating, lighting and cooling), and scholarships and bursaries (\$89 million go to scholarships and bursaries annually).



The following tables illustrate expenditures from two different perspectives. The first is by type of expenditure. The second table is expenditure by area of responsibility.

2013-14 actual expenditures by type (consolidated)

(\$ Thousands)

Salaries & Benefits:	
Academic Staff ¹	\$643,594
Support Staff	388,873
Student Teaching Assistants	46,520
Sub-total, Salaries and Benefits	\$1,078,987

Materials and Supplies	283,926
Scholarships and Bursaries	89,150
Utilities	46,346
Amortization	169,151
Total Expenditures	\$1,746,161

1. Includes an accrual of \$4.5M for UAPP pension deficiency

Source: 2013-14 Audited Financial Statements

2013-14 actual expenditures by area of responsibility (consolidated)

(\$ Thousands)

Faculties:

ALES	\$75,753
Arts	101,031
Augustana	18,946
Education	37,843
Engineering	109,495
Extension	23,144
Graduate Studies and Research	27,487
Law	12,129
Medicine & Dentistry	319,882
Native Studies	2,565
Nursing	33,230
Pharmacy and Pharmaceutical Sciences	10,504
Physical Education and Recreation	38,531
Rehabilitation Medicine	22,831
Saint Jean	13,118
School of Business	45,042
School of Public Health	21,659
Science	157,732
Sub-Total Faculties¹	\$1,070,922

Governance ²	\$5,923
VP Advancement	16,100
VP University Relations	10,736
VP Academic ³	140,000
VP Research	26,912
VP F&O ⁴	128,383
VP F&A ⁵	90,983
Ancillary Operations ⁶	87,051
Amortization	169,151
Admin Total	\$675,240

Total Expenditures	\$1,746,161
---------------------------	--------------------

See notes on following page

1. Includes Teaching and Research
2. Governance includes: President's Office, Board of Governors, Senate, University Governance and General Counsel
3. VP Academic includes Provost , Registrar, Information Services and Technology, Health Science Council, Student Services and University of Alberta International
4. Includes: Repairs/Maintenance, Facility Cleaning Contracts, Buildings & Grounds Services, Operating Utility Expenditures
5. Includes: Human Resource Services, Financial Services, Supply Management Services, Risk Management Services
6. Includes Bookstore, University Health Center, Utilities, Residence & Facility Services, Parking Services

Unrestricted operating budgets

As shown, 43 percent of the university's consolidated budget is restricted. The unrestricted portion, 57 percent, constitutes the general operating budget, which the university can deploy as required. Note, however, that even among the general operating budget there are "non-discretionary" costs, such as the costs of electricity, heating and cooling, and insurance.

The following table illustrates the university's operating budgets, comparing 2013-14 with estimated 2014-15 budgets.

University of Alberta operating budget 2013-14 vs estimated 2014-15

\$ Thousands	Budget	Estimated	Percentage Change
	<u>2013-14</u>	<u>Budget ^{1,2} 2014-15</u>	
ALES	\$29,270	\$28,765	-2%
Arts	78,692	76,737	-2%
Augustana	16,412	15,888	-3%
Business	22,665	21,909	-3%
Education	31,243	30,226	-3%
Engineering	63,455	60,010	-5%
Extension	5,061	4,895	-3%
FGSR	7,344	7,219	-2%
Law	6,324	6,078	-4%
Medicine & Dentistry	100,307	96,329	-4%
Native Studies	1,907	1,842	-3%
Nursing	25,123	24,187	-4%
Pharmacy	6,625	6,304	-5%
Physical Ed	13,701	13,374	-2%
Public Health	7,584	7,302	-4%
Rehabilitation Medicine	12,111	11,598	-4%
Saint-Jean	8,851	8,421	-5%
Science	92,073	88,867	-3%
sub-total Faculties	\$528,747	\$509,952	-4%

Governance	\$4,509	\$4,302	-5%
VP Advancement	15,241	14,338	-6%
VP University Relations	7,809	7,341	-6%
VP Academic	89,564	84,951	-5%
VP Research	12,783	12,017	-6%
VP Facilities and Operations	57,364	54,649	-5%
VP Finance and Administration	34,064	31,811	-7%
sub-total Admin	\$221,333	\$209,408	-5%
Non-Discretionary Budgets ³	\$101,889	\$101,697	0%
Total Operating Budget	\$851,969	\$821,058	-4%

1. Estimates include the planned budget reductions of 7 percent faculty/8 percent admin budgets as well as centrally funded increases for ATB and merit
2. Excludes allocation of strategic institutional priorities for supporting teaching and research
3. Includes supports such as: utilities, insurance, core infrastructure (eg. PeopleSoft systems, regulatory inspections) and library collections.

Keeping it manageable

Imagine having to reinvent the whole budget “from scratch” each year. To do so would be overwhelming. Two things help make it possible: *incremental budgeting* and the university’s extensive planning documents.

In incremental budgeting, budget managers use last year’s budget as a starting point, which they then adjust to meet the conditions of the current year. The people who prepare budgets, from the manager of grounds services to the deans and vice-presidents, refer to the incremental changes in the amount of money available from last year to this year to help decide which specific things they can do this year. It’s not easy, but at least they have a starting point.

The second thing that makes budgeting possible from year to year is the university’s vision and planning documents, *Dare to Discover* and *Dare to Deliver*. In these documents, the university presents its picture of why it exists, what it stands for, and where it’s going.

Dare to Discover describes its four cornerstones, including “talented people,” “learning, discovery and citizenship,” “connecting communities,” and “transformative organization and support.” *Dare to Deliver* provides the academic plan in greater detail, and describes priorities such as student engagement, the quality of the student experience, the mix of undergraduate to graduate students and areas of research strength. *Dare to Discover* and *Dare to Deliver* cover a four-year planning horizon.

These two documents inform budget decisions made across the university. Everyone, including academic chairs, unit directors and deans, is required to make budget decisions that align with the vision, strategies and goals of the university as contained in these documents.

These documents, as well as the Comprehensive Institutional Plan (CIP), are generated with wide input from members of the university community and through a rigorous and extensive governance approval route.

Deciding where the money goes

The University of Alberta is a public entity with thousands of stakeholders, including taxpayers, students, researchers, professional associations, philanthropists, corporations and neighbours. They all influence how the university deploys its resources. As outlined in the Post-Secondary Learning Act, it is the university's Board of Governors that approves the budget before submitting it to the Province—but much has to happen before the Board approves it.

The annual generation of the university's budget is a complex and lengthy process. It includes a series of steps that take place at specific times throughout the year.

The process is coordinated through the President's Executive Committee (the president and vice-presidents) while relying on extensive input and consultation through various committees. Consultations also occur through the president's open forums and town halls and the provost's attendance at various council meetings.

At its core are the academic needs of the individual faculties, as defined and described by faculty deans. Deans have overall responsibility for how money is spent within their faculties.

It begins with information gathering. Units in the Finance and Administration (F & A) portfolio gather information from numerous sources about the factors that will affect the budget from one year to the next. This includes such things as economic growth and inflation forecasts, the price of oil and gas, salary trends within and outside Alberta and the expected amount of the annual provincial grant. University leaders meet with a range of experts, including government officials, chief economists, demographers and others to discuss every kind of risk and trend.

Based on all this information, the provost and the VP (F & A) advise senior administration on what to expect in their budget for the year. The provost consults with the faculties and academic administrative units within his portfolio while the other vice-presidents consult with their administrative units. Faculties and units then respond with their budget proposals. It is up to the provost and each vice-president to then assemble the budgets from their various portfolios.

It's all put together and incorporated into the *Comprehensive Institutional Plan (CIP)*. The President's Executive Committee approves the CIP for recommendation to the university's governance committees.

The provost and vice-presidents then present the CIP to the university's academic and board governance committees. This is a detailed briefing that occurs prior to the committees being asked to vote to recommend the document for approval.

The CIP proceeds through three governance steps.

1. It is presented to the General Faculties Council Academic Planning Committee (APC), who recommend to the Board Finance and Property (BFPC) and the Board Learning and Discovery Committees (BLDC).
2. The BFPC and BLDC in turn recommend it to the Board of Governors for approval.
3. The Board of Governors is responsible for final approval.

Once the final document is approved, it is sent to the minister under the board chair's signature.



The annual generation of the university's budget is a process. It includes a series of steps that take place at specific times throughout the year.

The budget pressures facing the university today

The budget challenge faced by the university can be described simply: *expenditure rates are increasing faster than revenues.*

The problems are in the operating fund—the fund that supports the day-to-day teaching and learning activities of the university. The largest contributor to the operating fund—the Province—did not increase the Operating Grant for 2014-15. As well, tuition and fees increased by the regulated cap of one percent. At the same time the largest expenses in the operating fund—salaries and benefits—have risen in accordance with our negotiated agreements. Salaries, when factoring in merit increases, are going up by 3.75 percent on average, benefits are going up by 6.4 percent, and general inflation is expected to increase by two to four percent.

Unless we change something, costs will continue to rise faster than revenue. Based on what the Province has told us to expect to receive, the legislation regarding tuition, and the continuing rate of inflation, our operating revenue will rise by one to two percent, and our expenditures will increase at a rate of two to four percent.

That condition is unsustainable.

