



Budget Model

General Faculties Council

November 26, 2018

Why change the U of A's budget model?

Incremental budgeting has been in place for decades:

- It's dependable.
- Planning begins upon a known foundation of last year's allocation.
- It is relatively straight-forward to either add or subtract as per changes to operating revenues.
- Operations at the U of A are by many measures going very well--we are delivering our core mission to a high standard comparable to global peers.

Why, then, is incremental budgeting an issue?

1. A gap between allocation of resources and activity
2. Complexity and inequity
3. Lack of transparency and accountability

What are we trying to achieve?

Summed up in Objective 22 in *For the Public Good*:

Secure and steward financial resources to sustain, enhance, promote, and facilitate the university's core mission and strategic goals.

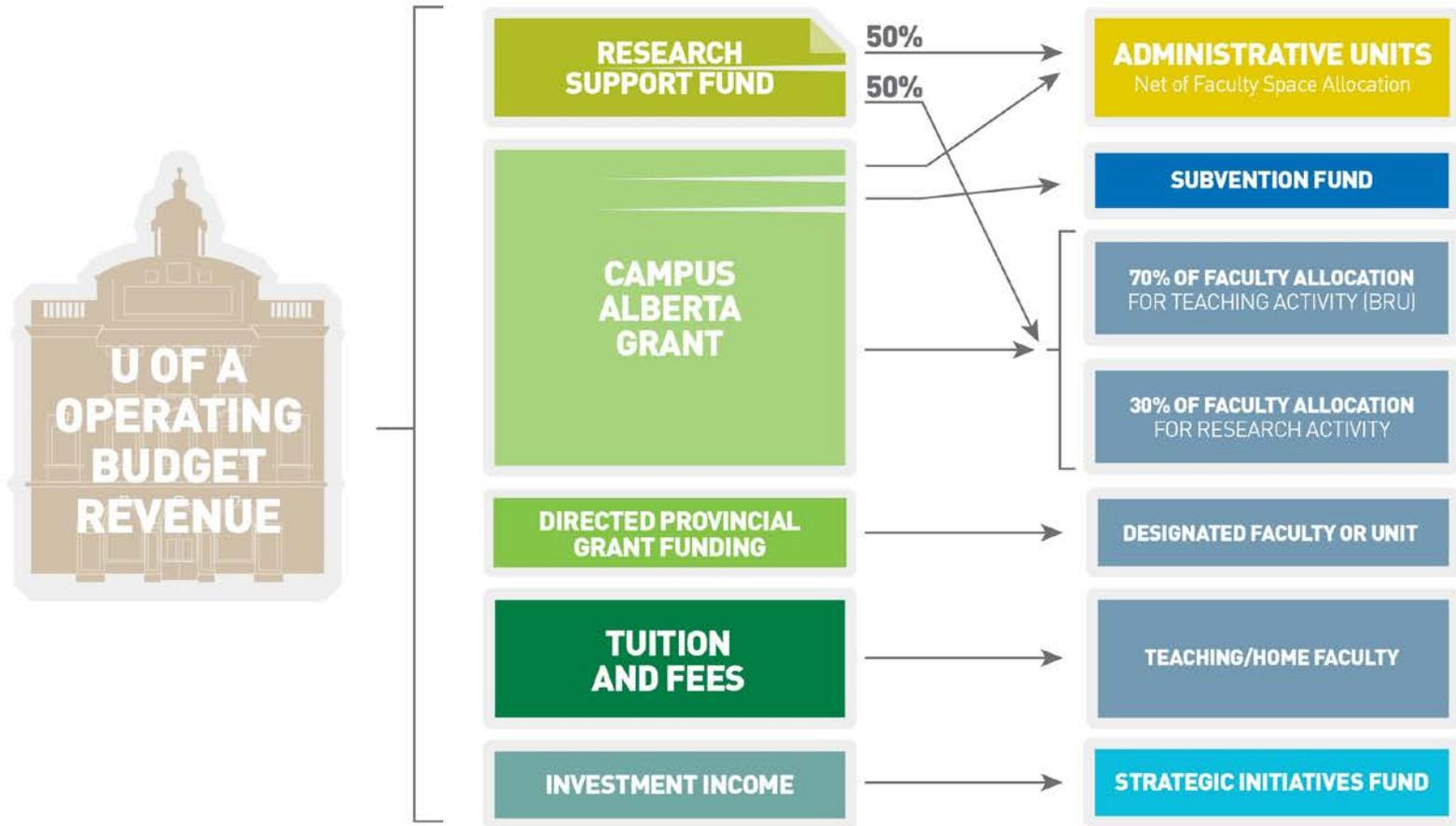
We aspire to:

1. Direct and use our resources as effectively as possible based on core academic activities.
2. Act effectively and powerfully to achieve strategic goals to the benefit of our students and communities.
3. Show that the university, a public institution, stewards its resources wisely for the public good.

How will achieve our ambitions? We began with a shared set of budget model principles:

- Supremacy of academic priorities
- Transparency
- Accountability
- Simplicity
- Consistency
- Predictability

HOW THE NEW BUDGET MODEL WORKS



Provincial grant allocation:

- Central administration costs will be subtracted from the provincial grant before the remaining grant revenues are distributed to the faculties.
- An Administrative Portfolio Review Committee and process will be established to review administrative unit budgets.
- Net provincial grant allocated 70% based on each faculty's share of BRU-weighted domestic enrollments and 30% based on four research metrics.
- Funds designated explicitly in grant letter allocated as designated. If explicit designation ends, funds are allocated as base grant (except rescinded domestic student market modifiers).

The 70% focused on teaching activity:

- Distributed using a weighting system of Basic Revenue Units
- What is a BRU?
 - The BRU for a faculty is intended to reflect the per student funding the faculty requires from the provincial grant, relative to the other faculties, to offer its programs to domestic students.
- Represents approximately 33% of the revenues that flow to the faculties.

The 30% focused on research activity:

- Research Metrics:
 - Tri-Council grant dollars expended (5%)
 - Non-Tri-Council grant dollars expended (5%)
 - Number of successful external grant applications (10%)
 - Restricted dollars used to fund graduate students and PDFs (10%)

Tuition allocation:

- All tuition to faculties except:
 - 7.55% of IDF for international student scholarships
 - 15% of cost recovery and non-credit tuition to central administration
- 100% of market modifiers and program differential fees to faculties.

Other allocations:

Research Support Funds:

- 50% to Research Service and 50% to faculties using four research metrics
- All other indirect costs of research to faculties

Other Revenues

- All other revenues, such as grants, donations, and external revenues, allocated to faculty or unit generating the revenue

Costs Allocated to Faculties

- Responsibility for all employee salary and benefit costs will continue to be allocated to faculties and units.
- Each faculty will be allocated the cost of the space the faculty is currently assigned multiplied by the average square meter operating cost of that type of space, as determined by F&O, with more complex space bearing a higher relative cost.
- Faculties that lease space from a third party will pay the full rental charge.

Strategic Initiatives Fund

- Purpose to support strategic initiatives, in alignment with the university strategic plan.
- Funds allocated are short-term (1 to 5 years), one-time only. No base funding provided.
- Any academic or administrative unit can apply for funding. Admin units for extraordinary projects only.
- Managed by PEC-S.
- All decisions and funding allocations reported to Deans' Council
- Target is 2 percent (over time) of grant & tuition: ~ \$20m
- Source: Investment earnings on non-endowed funds

Subvention Fund

- Purpose to support programs, core priorities of the institution that will not receive sufficient operational funding under the new budget model.
- Only academic units are eligible for subvention.
- PEC-S to determine which faculties will receive subvention funding, what level of funding and for how long.
- Funding can continue indefinitely, but will be reviewed regularly.
- Funds allocated to subvention taken off the top of the unrestricted portion of Campus Alberta grant.
- Annual report to Deans' Council on subvention fund allocations.

What will be the benefits of the new model?

- Bring transparency to the allocation of resources and to decision-making.
- Help us to align spending with strategic academic priorities.
- Create a culture of long-term academic planning.
- Enable all of us to make better decisions.

To be done before implementation:

- Discussion and resolution of outstanding key issues
- Operationalizing model (in all aspects)
- Aligning all budget and planning timelines and processes
- Ensuring data accuracy and consistency
- Developing training materials and providing in-depth training to budget planners
- Making the case for change and building broad awareness and understanding

We will be taking the time we need, with several opportunities for further discussion and consultation:

Pre-implementation:
Sept 2018 to Summer
2019

Implementation Phase 1:
2020/21 Budget Planning using
New Model Allocations
Sept 2019 to April 2020

Full Implementation:
2020/21 New Budget
Allocations
April 1, 2020

Key Outstanding Issues:

- Processes and procedures for Subvention Fund and Strategic Initiatives Fund.
- Process for reviewing and adjusting the BRUs moving forward.
- Process to ensure the model can adjust to significant shifts in funding related to tuition, the government grant or both.
- Consideration of quotas in relation to both domestic and international students.
- Management of over-enrolment / under-enrolment in programs
- Examine policies/procedures to address the possibility of faculties offering courses outside their area of expertise and ensure they are sufficiently robust.

Questions/ Comments