

## University Budget Model



*"The budget model is not itself a strategy, it is a management tool to motivate behaviour and decision making aligned with the strategy".*

### Definitions

#### Budget Model

A budget model is a management tool that assists with resource allocation decisions. It does not generate revenue or increase expenditures. Administration uses a budget model to calculate a notional financial position to recommend areas where investment (or divestment) is required – i.e., where financial resources should be assigned. The budget model does not drive institutional strategy, rather, it is a vehicle to achieve the strategic mission of the institution and should serve to encourage decision-making that is aligned with institutional strategy.

#### ABB

Activity-based (or revenue-centered) budgeting (ABB) modeling is a model philosophy whereby the allocation of funds is based on actual revenue-generating activity. For example, a Faculty's budget will decrease when its actual earned tuition and grant revenues decrease.

#### FFSP

The Faculty Financial Sustainability Plans (FFSP) are documents prepared by the Faculties and approved by the Provost Budget Committee. The FFSP's outline the Faculty's long-term financial goals and provide a roadmap on how to achieve those goals.

#### SLA

The Service Level Agreements (SLA) are documents prepared by administrative areas, reviewed by the Deans and approved by the Provost Budget Committee. The SLA's outline an administrative area's purpose, service commitments and key performance indicators.

#### Service Units

The service units, or administrative units, are non-revenue generating departments on campus, designed to support the academic and research mission of the institution.

#### University Fund

The University Fund is a collection of revenues from the Faculties which is used to establish strategic priority funds, pay for contingencies, establish reserves, and to support Faculties in a deficit position under the model.

## Introduction

The UWindsor ABB Model was introduced for the first time in fiscal 2021/22. The model was drafted by a committee of academic and administrative leaders. Before this model, the University followed the UWindsor Enrolment Centered Budget Model (ECM), which was a hybrid model (partially fixed, partially activity-based) introduced in 2016/17.

## Facts and Figures

- UWindsor is one of three Ontario universities with a pure activity-based budget model<sup>1</sup>.
- The UWindsor ABB Model is aligned with four main aspirations for the institution: the desire to be **comprehensive, innovative, competitive** and **research intensive**.
- As UWindsor is a comprehensive University, not all Faculties will establish goals of break even or profitability. Certain Faculties may always require support from the University Fund.
- Based on the 2021/22 budget model, total tuition revenues were budgeted for \$207 million and operating grants of \$101 million.
- 52% of the operating budget (2021/22) is allocated to direct faculty expenditures.
- The FFSPs are under draft and expected to be finalized by end of calendar 2022.
- The SLAs are under development and expected to be finalized by end of calendar 2023.

## Description and Depiction of the Flow of Funds in the Budget Model

As shown in Figure 1, under the UWindsor ABB, all operating grant revenues, tuition revenue, and other Faculty revenues are identified and assigned to the Faculty that earned the revenues. The Faculty then uses this revenue to fund its three types of expenses (1) direct faculty expenditures, like teaching and learning, GA's, TA's, lab costs, (2) to fund their share of the service unit costs that are grouped into cost pools and allocated using appropriate activity drivers, and (3) to contribute to the University fund. After funding their respective costs, some Faculties will have revenues remaining in a 'positive position' in the budget model while others will be in a 'negative position.' Faculties in a positive position will receive budget investments aligned with the planning in their respective FFSP and contribute to the University Fund, which in turn subsidizes Faculties in a negative position who will also be required to realign budget based in accordance with plans in their respective FFSP.

When it comes to research in the model, the model allocates 70% of the indirect research grants and contract overheads earned by the institution to the faculties, and 30% into a Research Activity Fund which is under the direction of the VPRI.

<sup>1</sup> COFO Conference, Fall 2021 Budget Survey data

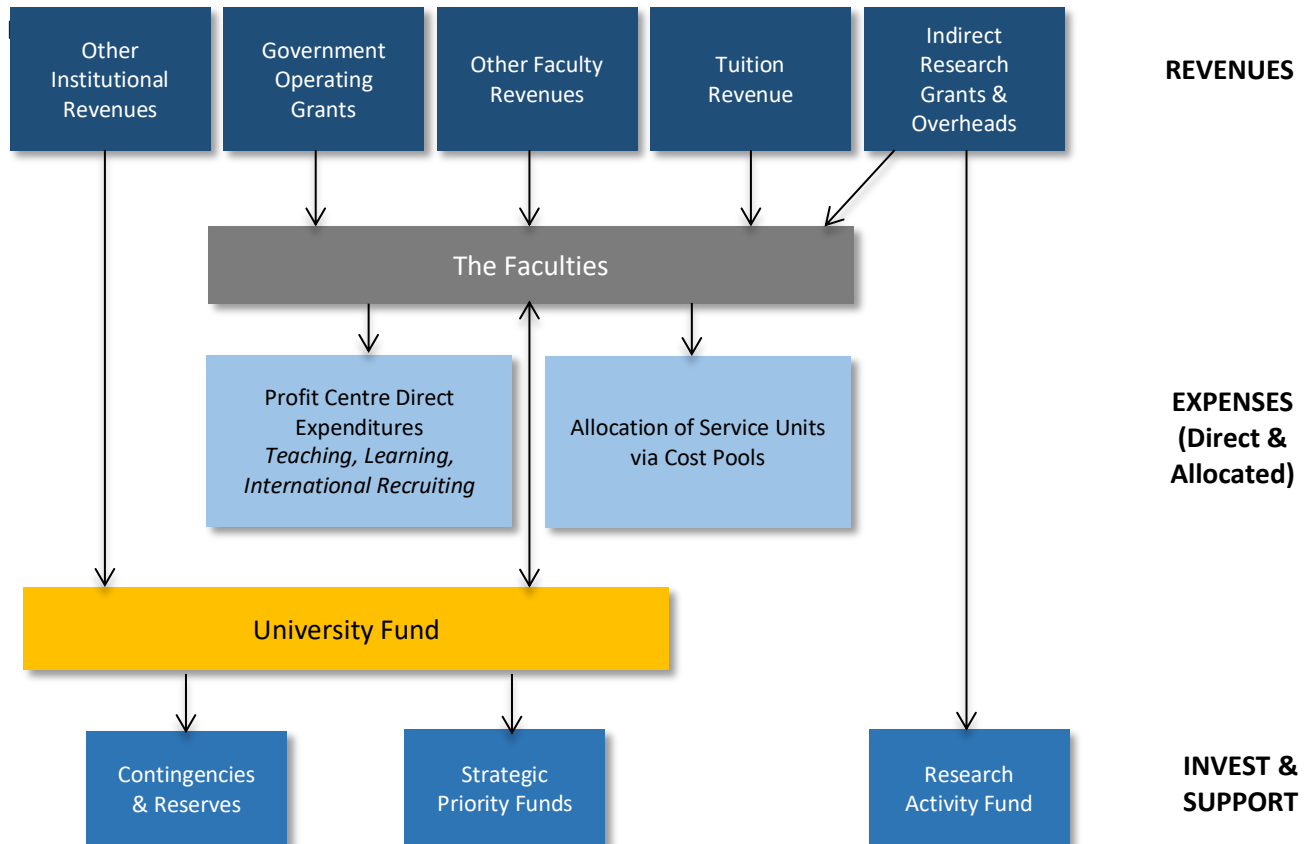


Figure 1. ABB Model

### Best Practices

The UWindsor ABB Model [website](#) provides detailed information about our budget model. The Education Advisory Board (EAB) provides good insight into the development and maintenance of activity-based budget models in the University settings. An external consultant provided input at an early stage of development and highlighted best practices related to several key components of budget model design.

### Thinking Questions

1. How can we better ensure cross-campus buy in on the importance of the model as a strategic tool, such that it motivates behaviour?
2. How might we adjust the model's inputs and levers to reflect the new strategic plan?