

McGill University

Budget and Resource Allocation

Presentation to MAUT
April 16, 2021

Christopher Manfredi, Provost and Vice-Principal (Academic)

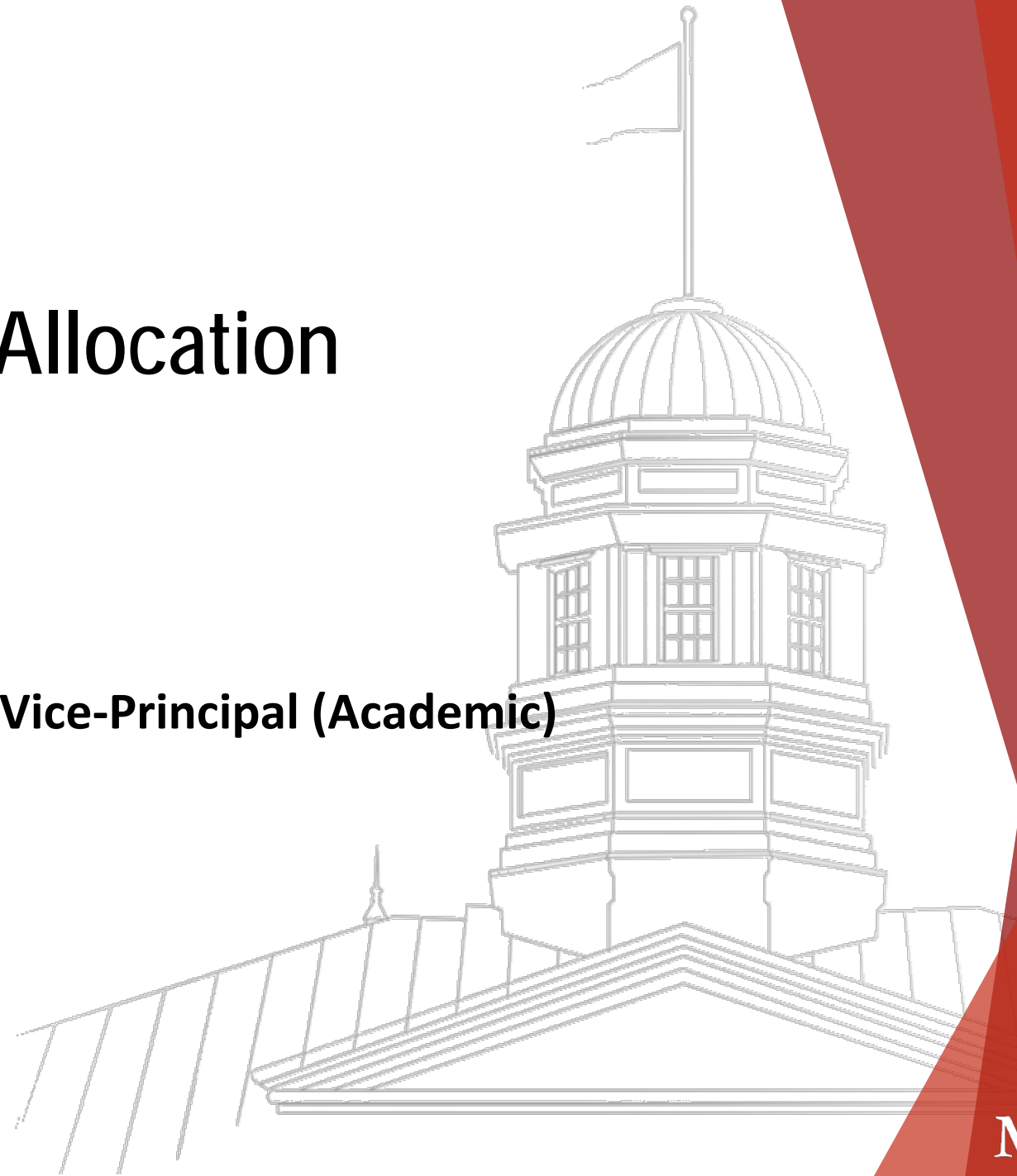


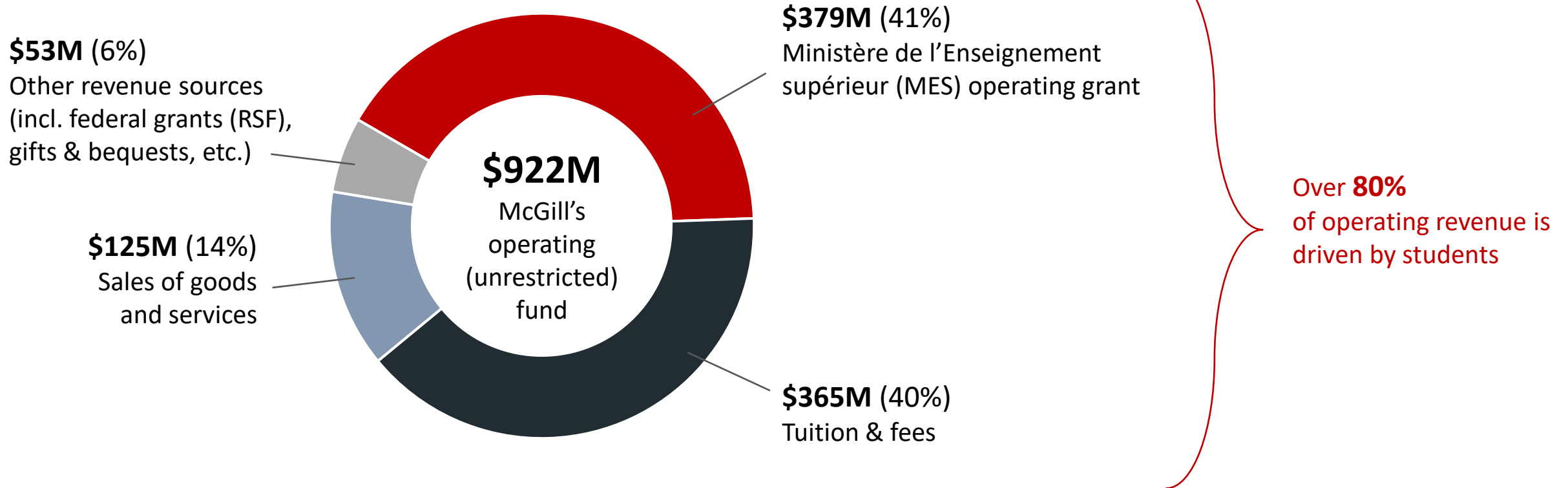
Table of Contents

1. McGill's Operating Revenue
2. MES (*Ministère de l'Enseignement supérieur*) Funding Model
3. Provostial Model for Resource Allocation

McGill's Operating Revenue

McGill's Operating Revenue

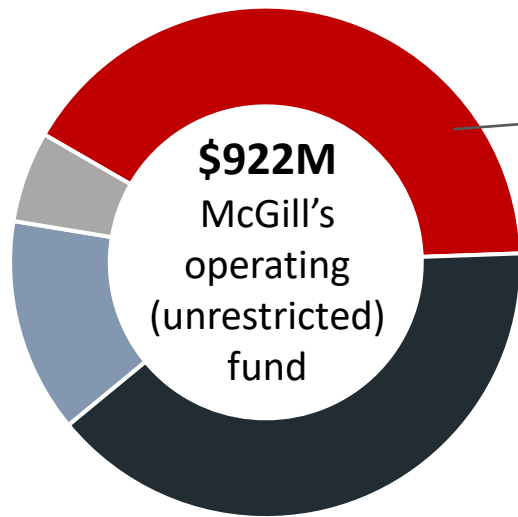
2019-2020 Sources of Revenue¹



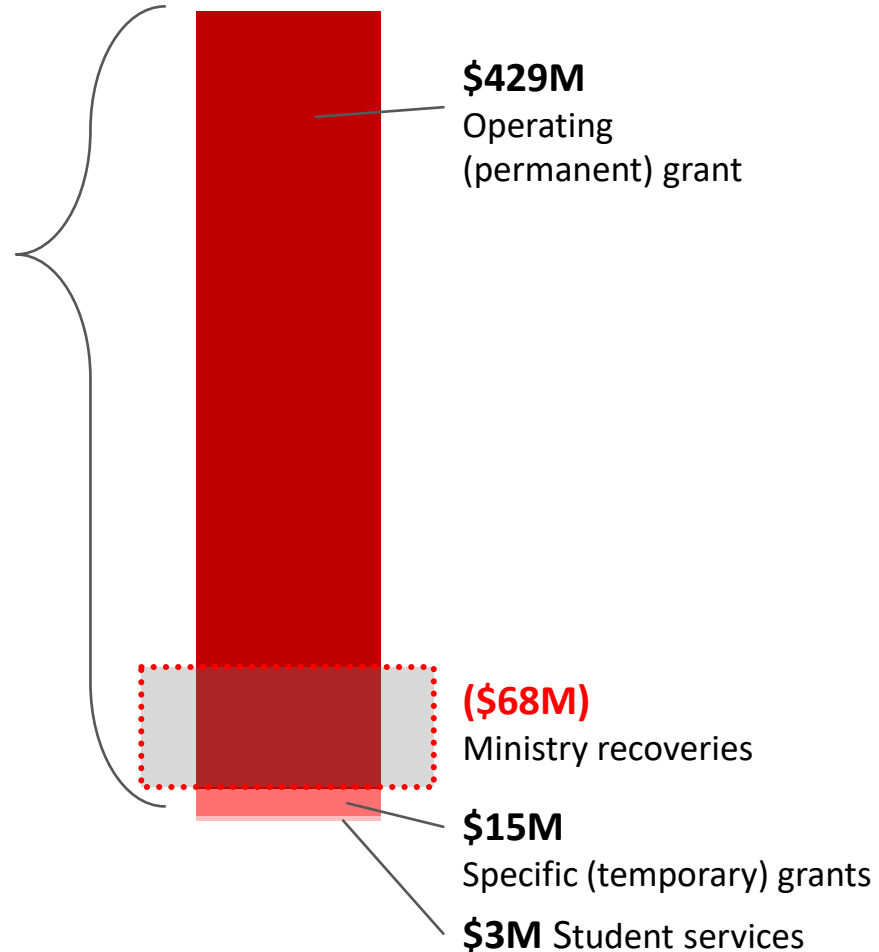
¹Source: 2019-2020 McGill Financial Statement Analysis

McGill's Operating Revenue: Provincial Operating Grant

2019-2020 Sources of Revenue¹



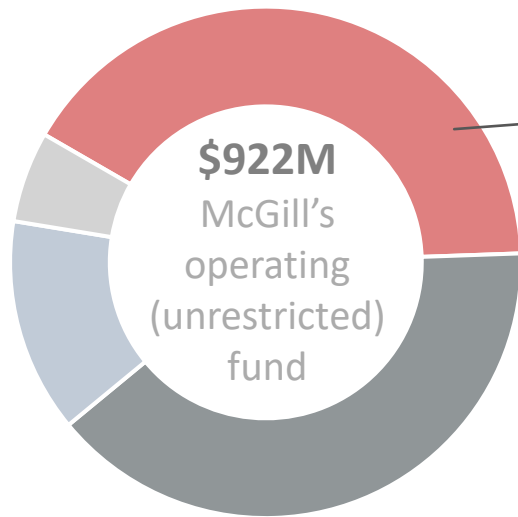
\$379M (41%)
Ministère de
l'Enseignement
supérieur (MES)
operating grant



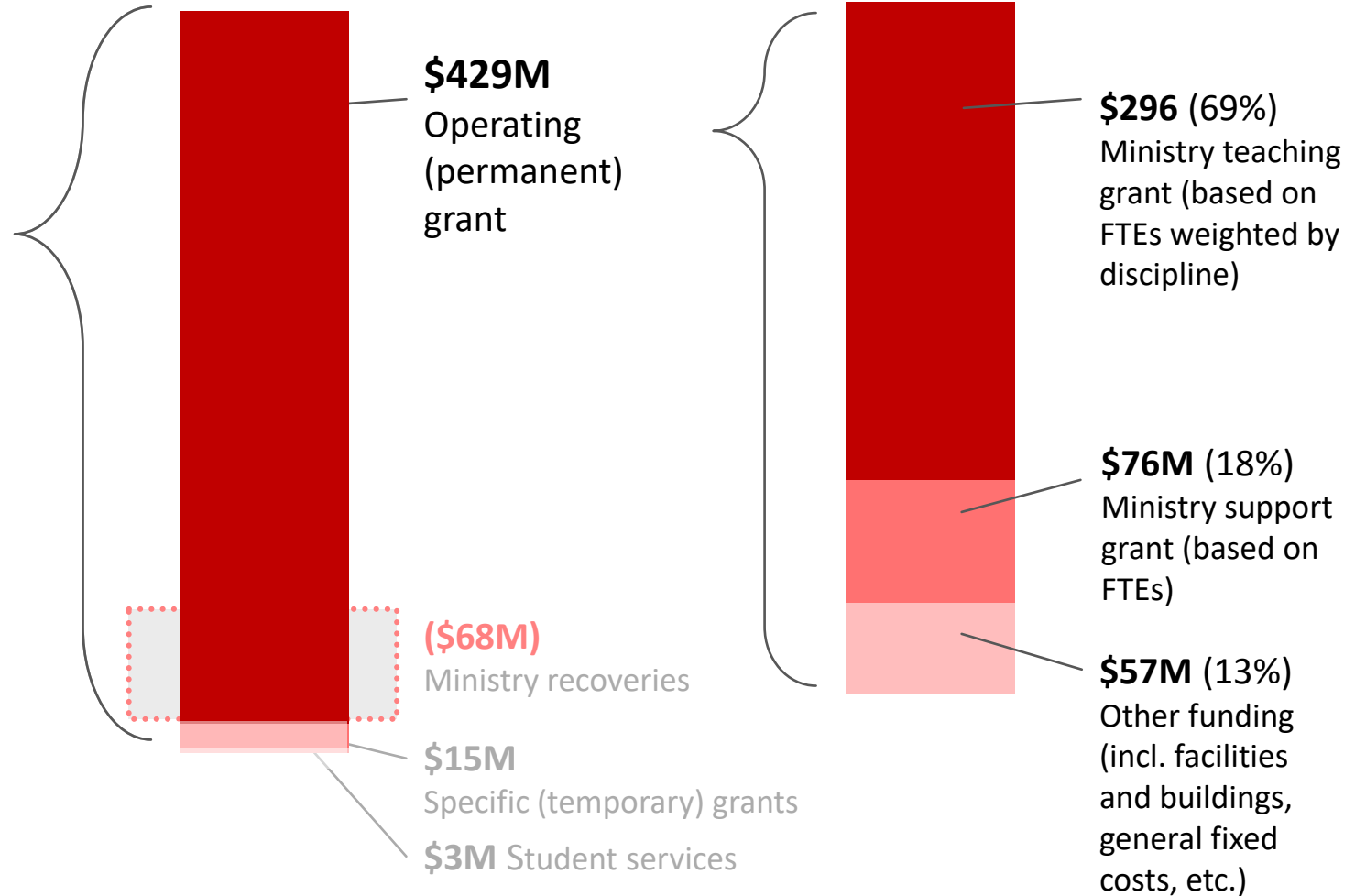
¹Source: 2019-2020 McGill Financial Statement Analysis

McGill's Operating Revenue: Provincial Operating Grant

2019-2020 Sources of Revenue¹



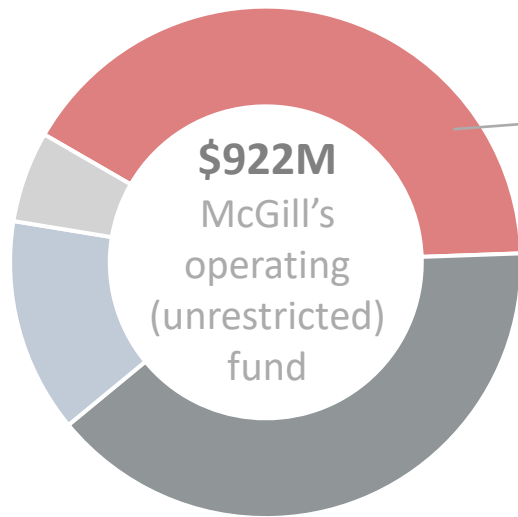
\$379M (41%)
Ministère de l'Enseignement supérieur (MES) operating grant



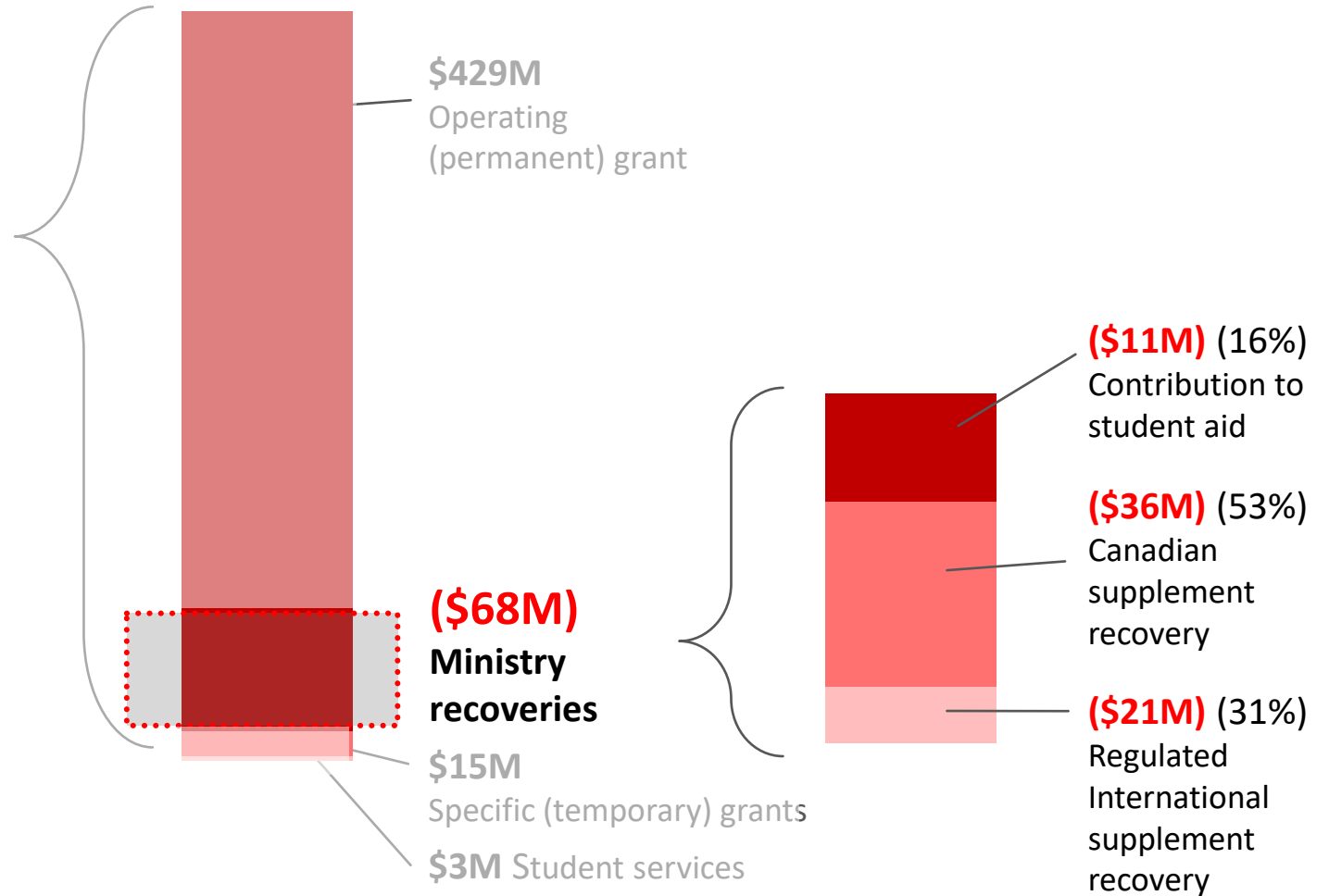
¹Source: 2019-2020 McGill Financial Statement Analysis

McGill's Operating Revenue: Provincial Operating Grant

2019-2020 Sources of Revenue¹



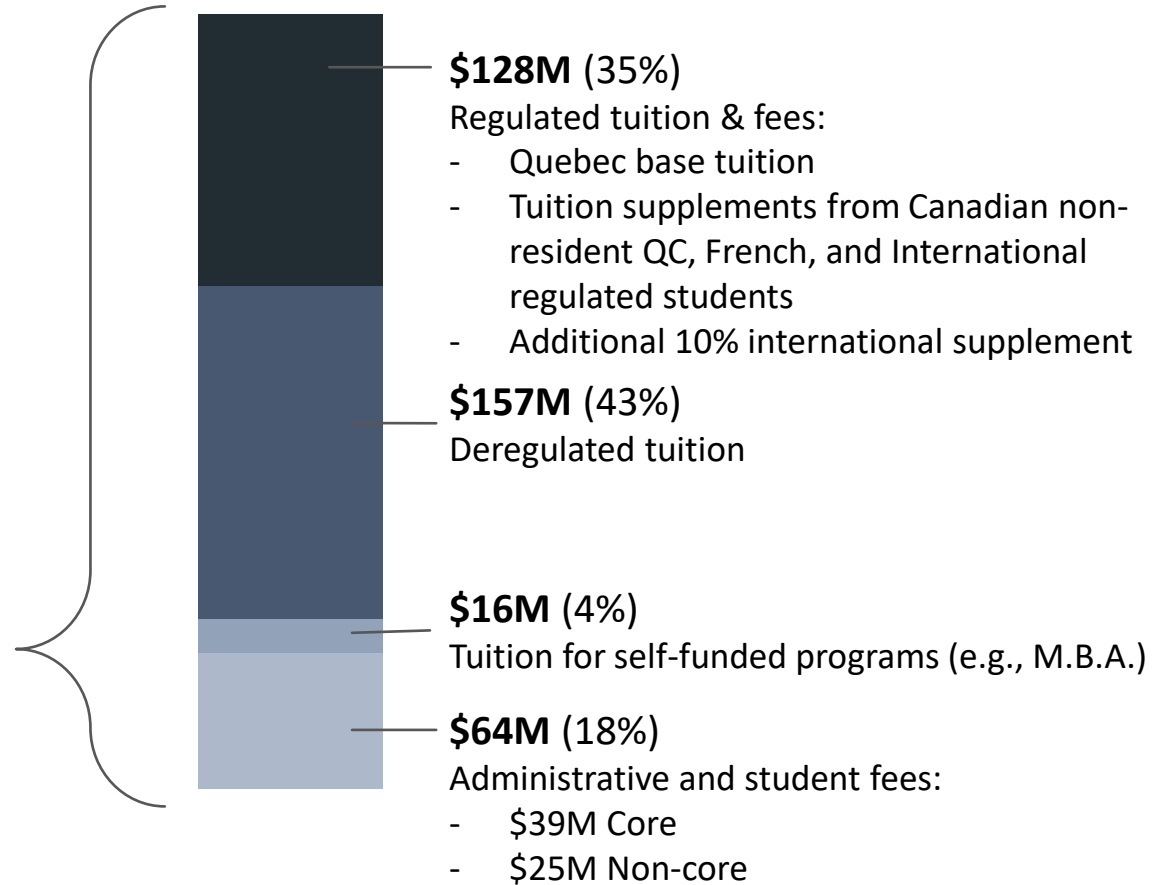
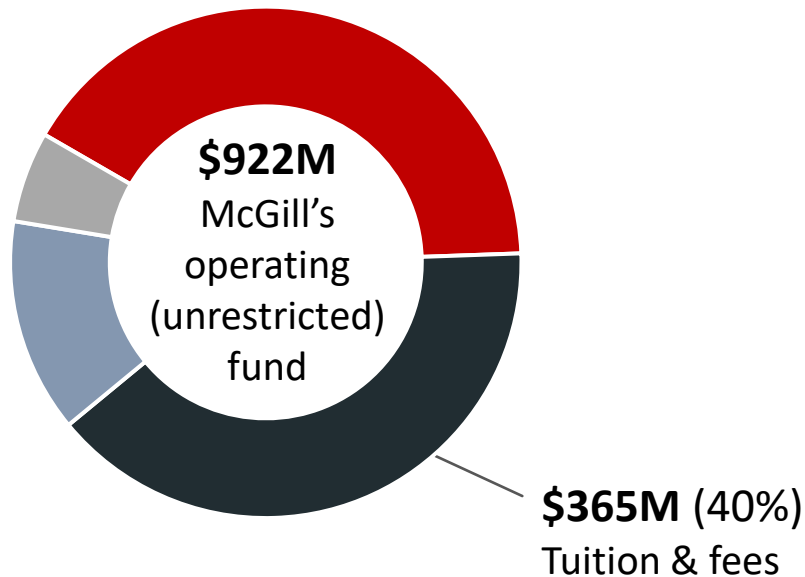
\$379M (41%)
Ministère de l'Enseignement supérieur (MES) operating grant



¹Source: 2019-2020 McGill Financial Statement Analysis

McGill's Operating Revenue: Tuition & Fees

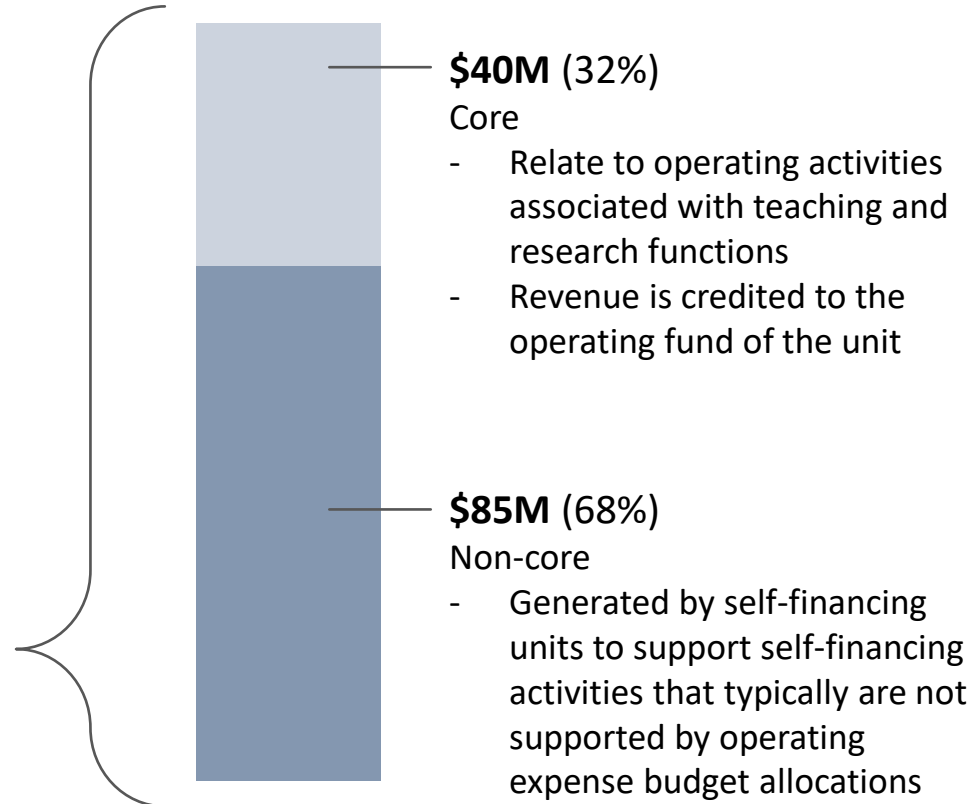
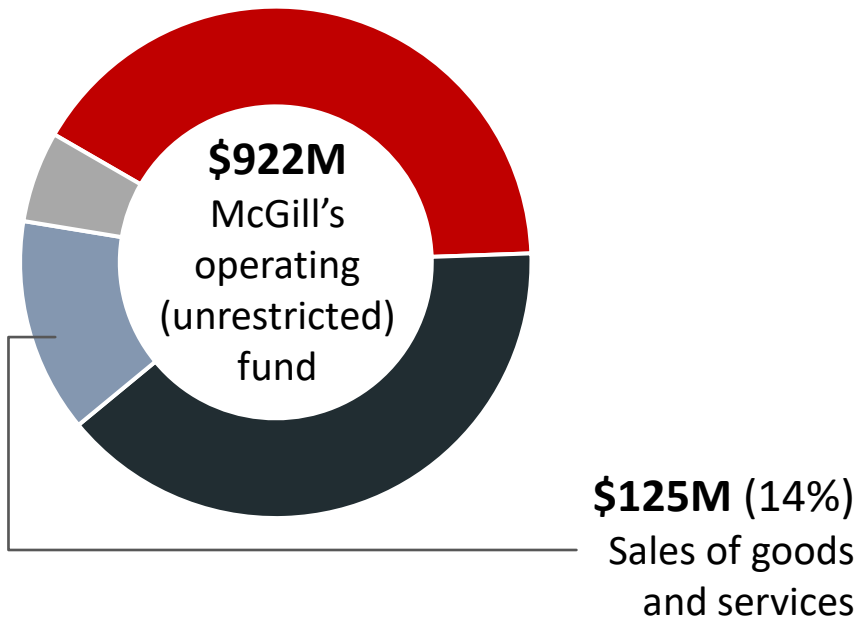
2019-2020 Sources of Revenue¹



¹Source: 2019-2020 McGill Financial Statement Analysis

McGill's Operating Revenue: Sales of Goods & Services

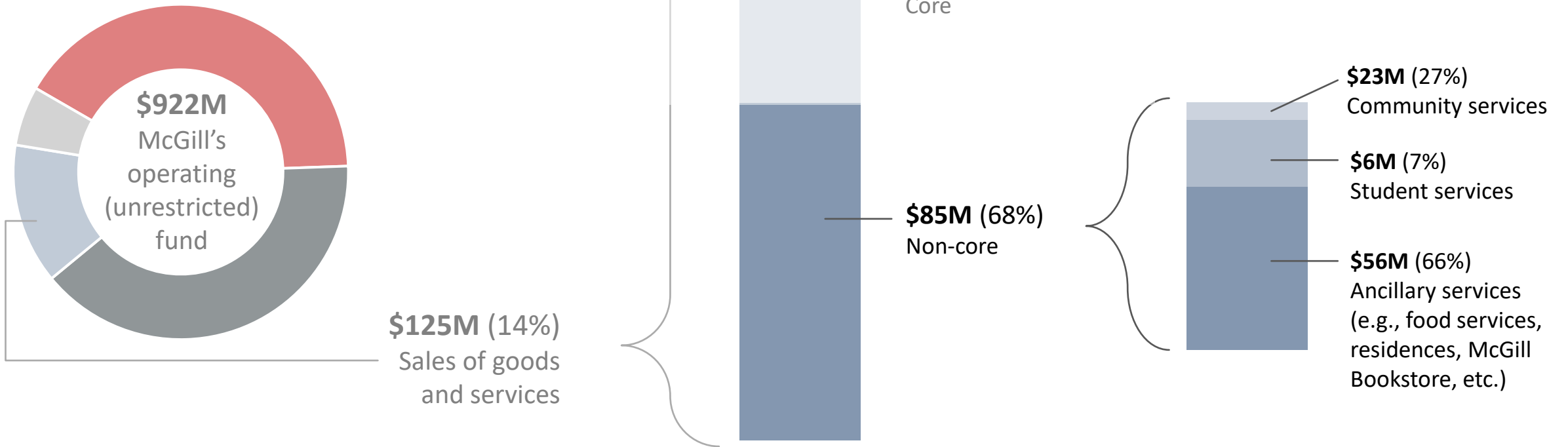
2019-2020 Sources of Revenue¹



¹Source: 2019-2020 McGill Financial Statement Analysis

McGill's Operating Revenue: Sales of Goods & Services

2019-2020 Sources of Revenue¹

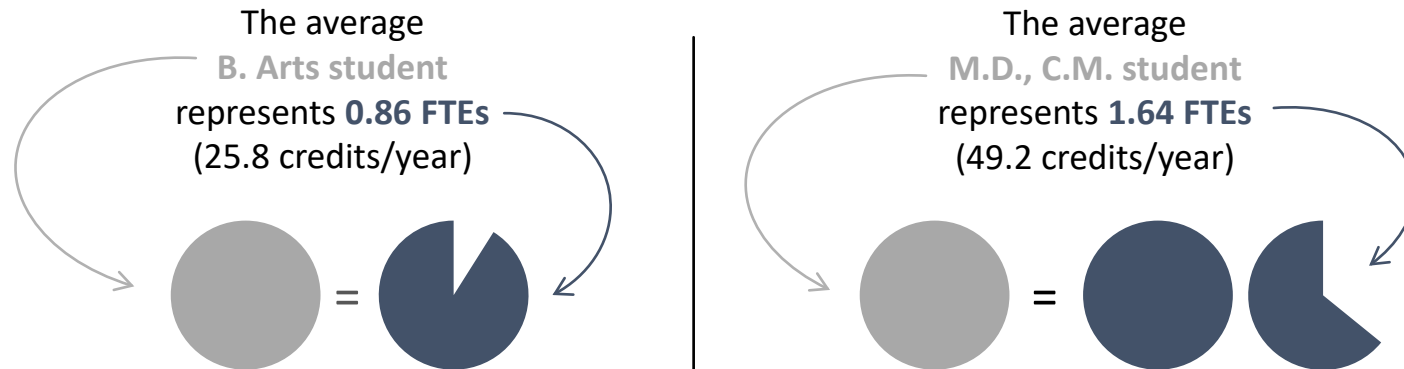


¹Source: 2019-2020 McGill Financial Statement Analysis

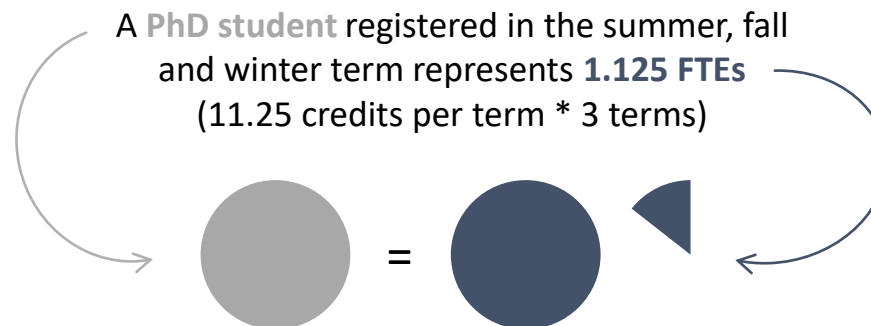
MES (*Ministère de l'Enseignement supérieur*)
Funding Model

What is an FTE?

- ▶ An FTE represents **30 credits**:

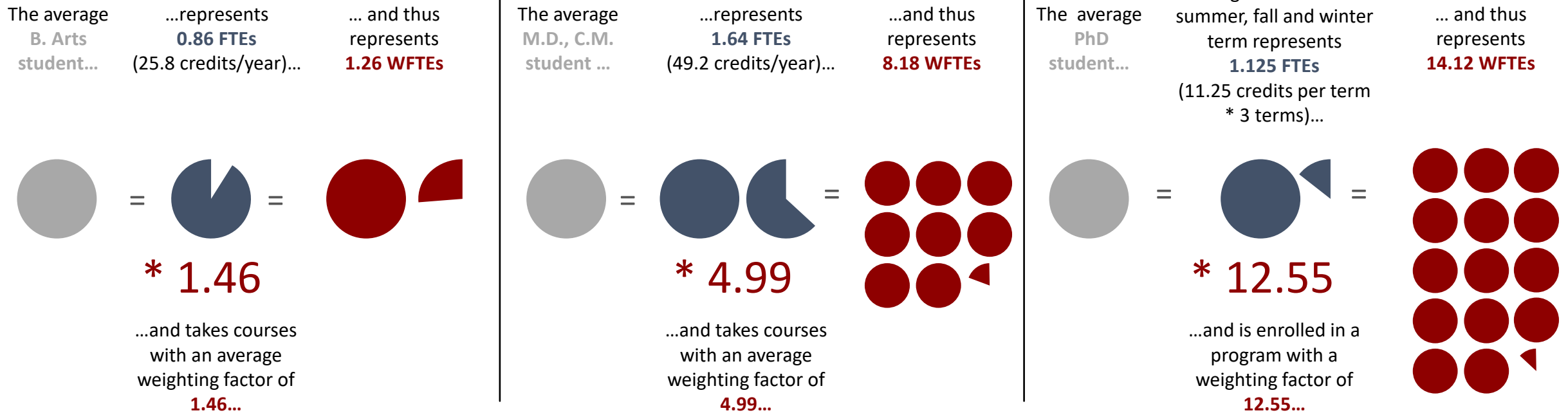


- ▶ For **course-based (non-thesis) programs**, each course has assigned credits. Ministry funding is based on the FTEs a student generates from the total amount of credits taken.
- ▶ For **thesis programs**, a set amount of credits (11.25) are assigned per term of registration. These credits are assigned for the first 8 terms for a PhD student (for a maximum of 90 credits) and for the first 4 terms for a Master's Thesis student (for a maximum of 45 credits). Subsequent terms receive 0 credits and do not generate any Ministry funding.



What is a weighted FTE (WFTE)?

- ▶ Each course (for non-thesis programs) or program (for thesis programs) is assigned a **CAFF code**⁽¹⁾ belonging to one of 13 Ministry ‘funding families’. Each family has an associated weighting factor, by level of study.
- ▶ The weighting factor is meant to account for the relative difference in teaching cost across disciplines (e.g., Medicine is more heavily weighted than Arts). The Ministry calculates weighting factors using average costs across all Quebec universities, and so they may not reflect McGill’s actual relative teaching costs.



⁽¹⁾ CAFF = *Classification académique aux fins de financement*

Categories of funding

- ▶ Students belong to one of three categories, as defined by the Ministry, which determine the type of tuition they pay and whether they generate grant funding or not.

- ▶ **1. Regulated**

- ▶ Includes Quebec residents, Canadians (non-residents of Quebec), and exempted international students (as defined by the Ministry - French citizens, refugees, etc.) enrolled in any credit-bearing course or program.
- ▶ Also includes international students enrolled in thesis programs.
- ▶ **Tuition rates for these students are set by the Ministry.**
 - ▶ Tuition rates are composed of a base Quebec amount + a supplement amount (for Canadian NRQ and international students) + 10% of the international supplement (where applicable).
 - ▶ The University only keeps the base Quebec amount + 10% of the international supplement (where applicable). Any supplement amounts collected for Canadian NRQ or international students are recovered by the Ministry.
- ▶ These students **generate grant funding.**

Categories of funding

▶ 2. Deregulated

- ▶ Effective Fall 2019, includes international students enrolled in any credit-bearing undergraduate or Master's-level non-thesis program, as well as medical residents and fellows.
 - ▶ Prior to Fall 2019, the Ministry definition of deregulated was much narrower and only included international students enrolled in credit-bearing undergraduate programs in specific disciplines: science, math, engineering, computer sciences, management, and law.
- ▶ Universities have full control over setting program-specific deregulated tuition rates and **retain the full amount of tuition collected.**
- ▶ These students **do not generate any Ministry grant funding**, nor are they included in the calculation for the Quebec student aid contribution deduction.
- ▶ Per the Ministry, some international students (e.g., French citizens, refugees, etc.) are exempted from deregulation and are thus considered regulated (see previous slide).

▶ 3. Self-funded

- ▶ Includes all non-credit courses and programs offered by the School of Continuing Studies.
- ▶ Includes a small number of specialized programs, such as all Master's-level programs offered by the Desautels Faculty of Management (e.g., M.B.A) and the Master's of Public Policy offered by the Faculty of Arts.
- ▶ All students enrolled in self-funded courses or programs pay the same rate of tuition, regardless of citizenship or residency status. The University sets the tuition rates and keeps the full amount collected. These students do not generate any grant funding.

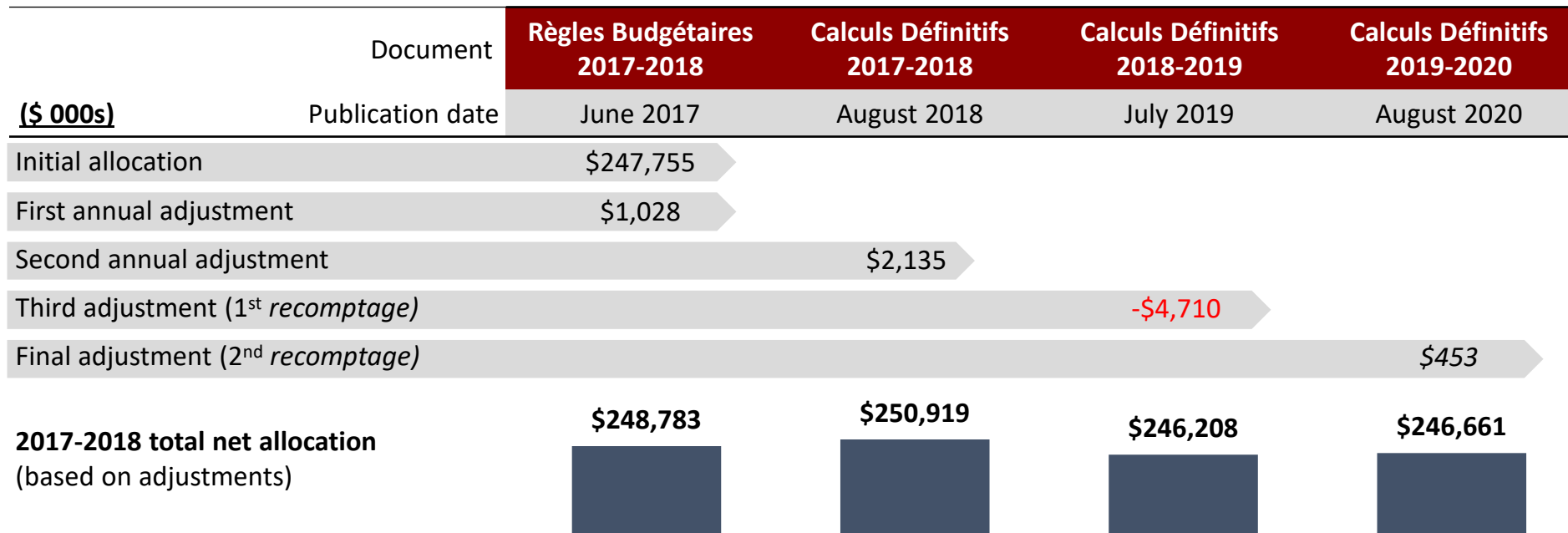
Regulated students: Tuition and grant revenue

- ▶ Each **regulated FTE** generates:

Revenue component	FY 2020-2021 rate per FTE	
Base Quebec tuition	\$2,622.90	
Tuition supplement <i>(Canadian non-resident of Quebec or International, where applicable)</i>	Canadian NRQ: \$5,563.50 Int'l 2 nd cycle: \$13,944.00 Int'l 3 rd cycle: \$12,271.80	Although McGill collects this amount, it is then recovered by the Ministry
10% of international tuition supplement <i>(where applicable)</i>	Int'l 2 nd cycle: \$1,394.40 Int'l 3 rd cycle: \$1,227.18	
Quebec student aid contribution	-\$399.57	This amount is deducted from McGill's total grant allocation
Support grant	\$2,075.56	
Teaching grant	\$3,581.26 per weighted FTE	

Ministry process for allocating grant funding

- ▶ The Ministry funds universities based on historical FTEs and WFTEs and recalculates allocation amounts when new information becomes available, stretching this exercise over several years.
- ▶ The initial allocation and the first annual adjustment for fiscal year t are communicated in the *Règles Budgétaires*, a forward-looking document published at the beginning of the fiscal reporting period. A second adjustment is communicated in the *Calculs Définitifs*, a historical document released after the close of the fiscal reporting period. These first two adjustments are based on an estimated growth factor for the entire network of Quebec universities and often does not reflect the reality of any one university.
- ▶ A third and final adjustment (also known as the first and second *recomptage*) are communicated in subsequent *Calculs Définitifs* documents once preliminary and then final FTE/WFTE numbers become available for fiscal year t . The final allocation amount is therefore only known two years after the close of fiscal year t .
- ▶ Below is an example of the evolution of McGill's 2017-2018 allocation from initial amount (June 2018) to finalized amount (Aug 2020):



Using APB projections to plan effectively

- ▶ If McGill were to rely on the allocation amounts communicated by the Ministry, as was done in the past, the University would not be in a position to plan effectively since the initial allocation can often be subject to big swings before it is finalized (e.g., see -\$4.7M adjustment for 2017-2018 on previous slide).
- ▶ Instead, for several years now, McGill books revenue based on projections provided by Analysis, Planning and Budget (APB). APB projects revenue before the start of the fiscal year by calculating FTEs and WFTEs based on **enrolment plans** (e.g., new intake objectives, projected rates of returning students, etc.), **historical information** (e.g., historical proportion of international students, historical course loads, etc.), **and other assumptions** (e.g., estimated grant rates).
 - ▶ **Initial APB projections are used to build the budget for fiscal year t , allowing the University to have a better sense of its true spending power in a timely manner.**
- ▶ APB projections are updated throughout the fiscal year as information becomes known and model assumptions can be replaced with actuals (e.g., actual intake of new students instead of objectives, actual grant rates communicated in the *Règles Budgétaires* instead of estimates, etc.).
 - ▶ **Updated in-year projections are able to provide the University with a relatively accurate estimate of final Ministry grant funding for fiscal year t .** This mitigates the risk of being caught off guard by the adjustments made by the Ministry as it slowly trues up McGill's allocation over two years.

APB projections: Timeline and evolution of model inputs

- Below is an example of how revenue model inputs evolve throughout the budget cycle. As mentioned on the previous slide, initial projections used to build the budget rely heavily on targets and assumptions. In-year updates are provided as more information becomes known.

FY2021 Revenue Model Inputs										
		McGill-controlled				Ministry-controlled				
		Bachelors Enrolment	Deregulated Enrolment	Graduate New Registrations	Deregulated Tuition Rate	QC (basic) Tuition Rate	ROC and Int'l Supplement Rate	Student Aid Recovery Rate (\$ per FTE estimate)	Support Grant (\$ per FTE)	Teaching Grant (\$ per WFTE)
Nov/Dec 2019	Enrolment plans for BY21 prepared following APB/ES/GPS meetings with Deans	targets	targets	targets	assumption	assumption	assumption	assumption	assumption	assumption
Nov 2019	Statistics Canada household disposable income per capita (used to estimate indexation of regulated tuition rates)	targets	targets	targets	assumption	assumption	assumption	assumption	assumption	assumption
Dec 2019	Deregulated tuition rates set for 2020-2021 academic year	targets	targets	targets	confirmed	assumption	assumption	assumption	assumption	assumption
Jan 31, 2020 (FY20 Q3)	FY20 tuition collection estimates stabilize (Required input for FY21 tuition projections)	targets	targets	targets	confirmed	assumption	assumption	assumption	assumption	assumption
FY2021 Budget Finalized (~mid-March)										
April 22, 2020	Indexation des droits de scolarité des étudiants étrangers et canadiens non-résidents du Québec pour l'année universitaire 2020-2021	targets	targets	targets	confirmed	confirmed	confirmed	assumption	assumption	assumption
FY2021 Fiscal Year Start (May 1, 2020)										
May 22, 2020	Orientations Budgétaires	targets	targets	targets	confirmed	confirmed	confirmed	confirmed	confirmed	confirmed
July 24, 2020	Règles Budgétaires (initial release)	targets	targets	targets	confirmed	confirmed	confirmed	confirmed	confirmed	confirmed
Oct 15, 2020	Fall census enrolment date	Enrolment actuals (FTEs estimated)	Enrolment actuals (FTEs estimated)	New registration actuals (Winter new registrations & FTEs estimated)	confirmed	confirmed	confirmed	confirmed	confirmed	confirmed
Oct 31, 2020 (FY21 Q2)	FY21 tuition collection estimates (high-level)				confirmed	confirmed	confirmed	confirmed	confirmed	confirmed
Jan 31, 2021 (FY21 Q3)	FY21 tuition collection estimates stabilize; preliminary FY21 FTE data available.	Preliminary FTEs available			confirmed	confirmed	confirmed	confirmed	confirmed	confirmed
Apr 30, 2021 (FY21 Q4)	FY21 tuition collection actuals; FY21 FTE data stabilizes.	FTEs stabilize (Ministry submissions for Winter 2021 not yet final)			confirmed	confirmed	confirmed	confirmed	confirmed	confirmed

Provostial Model for Resource Allocation

Provostial model

- ▶ McGill does **not** subscribe to an activity-based budgeting model whereby what happens in your faculty would have a direct impact on your allocation. Rather, a **Provostial model is used to determine resource allocation.**
 - ▶ McGill's budgeting process allows the University to shift funds, leading to some internal subsidization.
 - ▶ Budgetary decisions are driven by the University's academic priorities, objectives and goals, as well as by key strategic commitments.
- ▶ The Ministry funding formula is based on average costs observed across all Quebec universities. This formula serves as the primary mechanism for allocating operating grants, taking into account each University's student mix (discipline and level of study).
 - ▶ As such, the actual costs to McGill for many programs do not align with the amounts that the Ministry provides.
 - ▶ The Ministry funding formula is also recalculated on an ongoing basis which can lead to shifts in funding at the discipline level, while not necessarily at the institutional level. For example, under the old funding model (prior to 2018-2019), engineering Master's-level courses were assigned a weight of 4.42; this has now decreased to 2.45 under the current funding model.

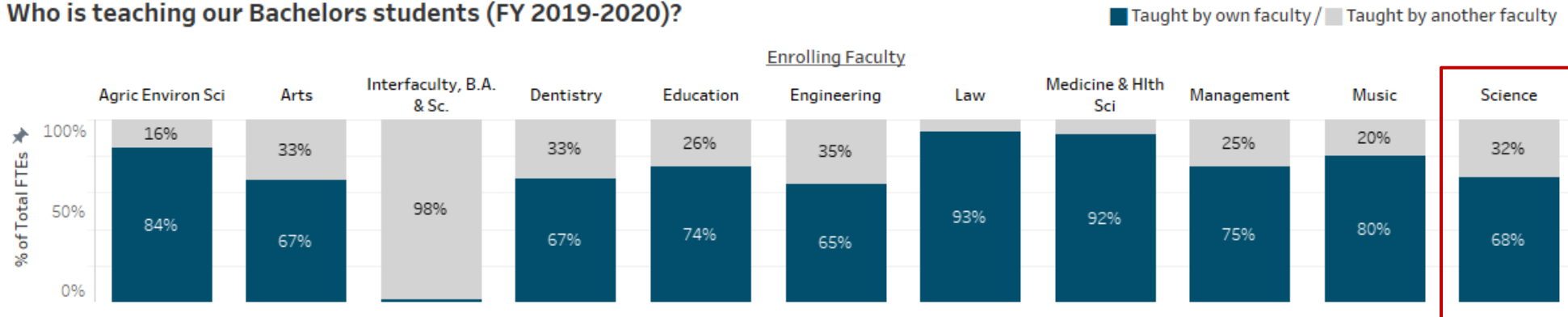
Provostial model: Additional considerations

- ▶ Each faculty contributes in unique ways to the University.
- ▶ As of 2019-2020, Quebec students must represent at least 50% of all students in programs subject to deregulation. Universities that fail to meet this requirement will have a portion of their grants recovered by the Ministry as a penalty. As of 2026-2027, the Quebec student requirement will increase to 55%.
 - ▶ Certain faculties offer programs catering primarily to Quebec students, such as the Faculty of Education, the Ingram School of Nursing, the School of Social Work, and the School of Continuing Studies.
 - ▶ Their significant contribution to the University's overall proportion of Quebec students allows other faculties to attract greater numbers of international deregulated students. These deregulated students are a significant revenue source for the University.

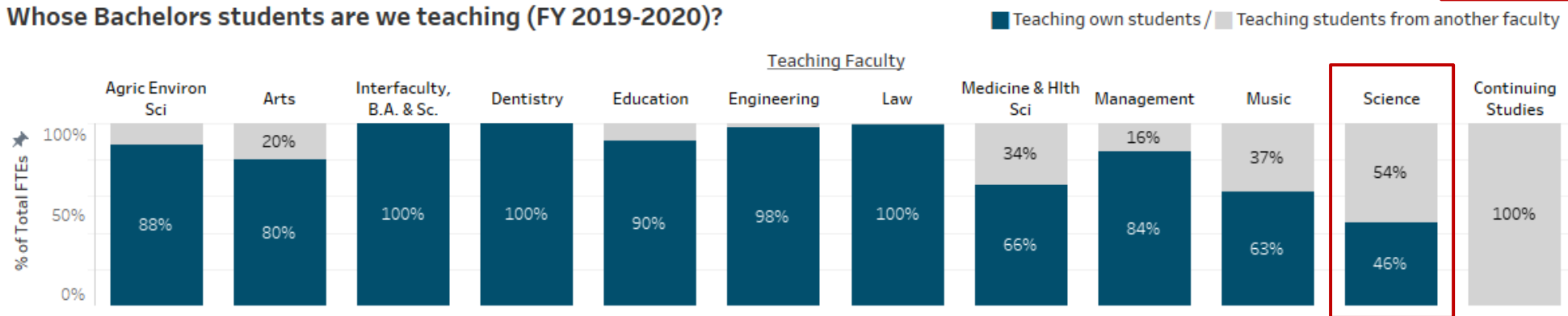
Provostial model: Additional considerations

- ▶ Additional considerations include which students a faculty teaches (their own versus others'). For example, the Faculty of Science teaches 68% of the credits taken by their own Bachelors students. On the other hand, 54% of the total teaching they provide is to Bachelors students from outside their faculty.
- ▶ It is important to note that Ministry grant funding is driven by teaching, in that it is determined by which course the student takes, and not in which faculty they are enrolled.

Who is teaching our Bachelors students (FY 2019-2020)?



Whose Bachelors students are we teaching (FY 2019-2020)?



Thank you!

