University of Ottawa Budget 2012-2013

Q&A

1. What are the main elements of Budget 2012-2013?

The University of Ottawa has tabled a balanced budget of over $900 million. The rigorous 2012-2013 budgetary process was conducted in a context of economic difficulty and limited resources.

a. This context stems in large part from the special $7.9 million payment the University has to make to the pension plan to cover an actuarial deficit of $59 million, in addition to regular annual payments of $32.8 million to the plan. The University plans to cushion the impact of the special payment in 2012-2013 by using $2 million from the reserve set aside for the pension plan.

b. Base funding from the Ministry of Training, Colleges and Universities (MTCU) is not indexed.

c. Operating fund investment income is down—$13.4 million compared to $18 million in 2011-2012. This decrease reflects reduced market yields.

d. The 1.6% increase in registration (476 undergraduate students and 195 graduate students) represents a slowing of growth from the 3.7% average of the past five years. This moderate growth will lead to a $3.6 million increase in the MCTU accessibility grant and an additional $8.6 million in tuition fees.

e. Tuition fees will increase by 4.3% ($11.2 million, under the 5% ceiling), of which 30% has been reserved for financial aid and bursaries, compared to the 10% required by the provincial government.

f. Salary increases respect the collective agreements in effect, as well as Bill 55, which was tabled along with the provincial budget March 27.

g. Financial aid and bursaries will increase by 9% ($5.3 million) – the total envelope for financial aid and bursaries is $64.1 million.

h. Construction and renovation spending in 2012-2013 will be $16.5 million, compared to $14.2 million in 2011-2012.

i. Together, these measures have allowed the University to provide an envelope of $4 million for the University to invest in the four Destination 20/20 strategic goals.

2. What are the guiding principles behind Budget 2012-2013?

a. Last year, the University adopted a new strategic plan, Destination 20/20, to guide its development over the next decade.
b. The budget’s direction furthers the implementation of the plan.

c. The 2012-2013 budget will enable the financing of new initiatives relating to each of the plan’s pillars, as follows:

   i. Improving the student experience: $2.6M  
   ii. Research excellence: $0.4M  
   iii. Francophonie and bilingualism: $0.6M  
   iv. Internationalization: $0.4M

3. What will be the major budgetary challenges in the years to come?

   • **Pension plan:** The plan’s actuarial deficit seriously threatens the University’s short-term financial wellbeing. This situation needs to be dealt with as soon as possible, so that it does not worsen over the long term. The current additional costs of $7.9 million, which could potentially increase to $35.6 million a year by 2014-2015, will have a major impact on the University’s operating budget and its long-term financial viability.

   • **Infrastructure:** As our debt affordability has been reduced (from $110 million to $80 million) due to pension plan-related financial pressure, we need to revisit our 2012-2017 Capital Plan.

   • **Destination 20/20:** Freeing specific envelopes to fund new initiatives related to this plan will remain a major challenge in the years to come.

   • **Legislative framework:** The provincial legislative framework regulating tuition fees will not be known for several months.

   • **Revenue diversification:** The government is not offering additional funding for inflation, which means the University must find alternative sources to fund escalating costs.

4. What is the impact of a potential deficit in the coming years?

   The University of Ottawa 2012-2015 three year budget (see Appendix B-11) forecasts deficits of $13 million and $27 million for the fiscal years 2013-2014 and 2014-2015, respectively, as things stand now.

   a. It is critical that the University and the employee unions agree on a course that will ensure the viability of the pension plan. Hence, the urgency to modify the current retirement plan and balance employee-employer contributions through collective bargaining with the unions. At present, the University covers almost 70% of its defined benefit pension plan service costs, while employee contributions cover the other 30%.

   b. The University is specifically re-examining its activities to improve efficiency and productivity.
5. Why does the University allocate so much funding for financial aid and bursaries?

The University sets aside 30% of tuition fee increases for student loans and financial aid in order to meet two objectives:

1. Accessibility: Reducing student debt—40% of students graduate debt-free—and providing more financial assistance to the growing number of graduate students.

2. Excellence: Attracting and retaining the best students by rewarding excellent academic standing.