RECOMMENDATION:

It is recommended that:

a) The base operating budget for Simon Fraser University for fiscal year 2004 / 2005 be set at $268.3 million as detailed in Schedules A and B.

b) Basic tuition fees be increased by 15%, and basic and specific fees for Undergraduate and Graduate programs be set as detailed in Schedules C and D, effective September 2004.

c) The University set aside $1.3 million of the revenue associated with the above-mentioned tuition fee increase to the Scholarships, Bursaries and Awards program.

d) The University contribute an additional one-time amount of $985 thousand from its 2004 / 2005 non-recurring budget to be applied to student bursaries consistent with meeting SFU’s accessibility objectives.

e) The Senate Policy Committee on Scholarships, Awards and Bursaries be advised that the funding identified in c) and d) has been determined in light of bursary need projections and that SPCSAB is asked to consider allocating the 2004/05 set-aside in light of these projections.

Submitted by:

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Recommended by:

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Approved for submission to the Board of Governors:

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SIMON FRASER UNIVERSITY
2004 / 2005 OPERATING BUDGET

1. PRINCIPLES

Through extensive consultation with the Simon Fraser University community, the following principles were affirmed and served to guide the University’s budget deliberations:

Quality
In order to retain institutional quality, faculty and staff complements should be maintained to the greatest extent possible. In order to attract and retain the best faculty, additional funding for faculty recruitment and retention should continue to have priority, and strategic initiatives should continue to be adequately funded. Further, in order to attract the best and the brightest students a continuing commitment to scholarship, bursaries and awards should be targeted.

Accessibility
The University should help protect academically qualified students from being denied access to the University’s programs due to financial need. A significant set aside made from the tuition increase to the bursaries budget is deemed to be appropriate.

Competitiveness
The tuition level charged at SFU and the financial assistance offered through the University should enable the competitive recruitment of outstanding students provincially and nationally.

Budget decentralization
The principle of budget decentralization should be respected.

2. BACKGROUND -- THE 2004 / 2005 BUDGET PROCESS

The 2004 / 2005 budget process began in March 2003 with the receipt of the 2003/2004 budget letter from the Ministry of Advanced Education. The letter contained an estimated provincial grant for 2004/2005 of $150.7 million. SFU was advised that this grant contained additional FTE funding for the New Era Double the Opportunity initiative, and for continued FTE expansion at the Surrey campus. SFU was advised that the special administration grant for the Surrey campus which was due to expire at the end of fiscal 2003/2004 had been removed and that its continuation would require renegotiation. SFU was also assigned an additional 156 unfunded access FTEs in fiscal 2004/2005.

With this information, a base budget model for fiscal 2004/2005 was generated at the end of the summer. By November, a budget model was produced that was shared with the Board of Governors, with the Ministry of Advanced Education, and with the entire university community. This budget model reflected an $8 million reduction in provincial grant revenues, a funding provision for the New Era initiatives as described above and a projection of net new expenses of $6 million. Taken together these factors resulted in a $15 million deficit.

The President initiated a series of 24 community consultations to present the financial outlook, and seek advice and input from the community. These sessions were well-attended, and consisted of active discussion of options to address the deficit through increases to tuition levels, contribution to scholarships, awards and bursaries, and the requirement of cuts across the base operating budget. Funding requirements for new or discretionary initiatives were widely discussed as were the use of carryforward funds as a possible source of deficit remedy. The consultations participants asked important questions and provided thoughtful commentary. Participants were provided with the financial outlook for 2004/2005, together with a wide variety of scenarios that outlined a range of tuition fee increases, student financial assistance program contributions and budget reductions. The scenarios presented included tuition increases ranging from 10% to 35%.
The consensus in the community was that the lower tuition increase such as 10% would require a cut that would have serious impact on quality and the subsequent student educational experience at SFU.

The Simon Fraser Student Society, (SFSS), through its representatives, was actively engaged in the budget development process. The SFSS provided an excellent analysis of the university’s 2003 / 2004 budget, mounted an effective campaign against the budget scenario that called for a 35% tuition fee increase, and offered valuable input on budget priorities for the 2004 / 2005 budget. The SFSS questioned specific budget line items and urged the university to initiate cuts to non salary budgets rather than raising tuition. The SFSS document was widely circulated and discussed in the University community. By its proposal of a 15% base tuition fee increase and a 4.2% cut to non-salary expenses, the University has responded by recommending a fair balance between impacts to students and impacts to the University.

The Senate Committee on University Planning (SCUP) met to discuss budget matters on four separate occasions. The latest meeting was held following the February 16th provincial budget announcement. As required by the University Act, advice on the budget was provided to the President. SCUP recommended a 15% tuition increase, a 15% tuition set aside for scholarships, bursaries and awards and a base budget cut of 1.3%. This budget submission is consistent with SCUP’s advice.

In September 2003, the Finance and Administration Committee of the Board of Governors struck a Working Group on Access Issues to examine the effects on student access of the 2002 and 2003 tuition increases, differential tuition fees, and financial aid budget. Their report was tabled at the Finance and Administration Committee of the Board on February 27th. Recommendations arising from this report provided additional context and direction in the preparation of the 2004 / 2005 budget recommendations.

3. SUBSEQUENT EVENTS

After the community consultation was complete, with the exception of the last meeting of SCUP and a working meeting of the Finance and Administration Committee of the Board of Governors, the Province announced in their February 16th Budget Speech that the year-over-year cut to the university operating grant would be restored. For SFU, this is expected to translate to the restoration of $4.34 million of the $8 million original reduction. The November model was recast with this and other new information and a deficit of approximately $10 million was projected.

4. DISCUSSION – 2004 / 2005 OPERATING BUDGET


4.1. REVENUES

Enrollment expansion for SFU in this budget year will result mainly from the Double the Opportunity initiative and growth at the Surrey campus. A permanent location for the Surrey campus has been recently announced by the Province, and will be established starting in 2004 / 2005. The Surrey programs will continue for this budget year in the rented facility augmented by two floors in the Central City Tower beginning in September. The grant received from the Province requires SFU to admit 210 additional students at Surrey bringing the total to 860. The Double the Opportunity initiative continues in this budget year and brings with it grants and subsequent responsibilities for an additional 162 FTEs for a total of 486 DTO students.

SFU remains committed to supporting the broad public policy initiative to improve access to universities. We will be required to admit 156 FTEs in this budget for which no provincial grant has been designated. As indicated last year, at the request of the Province, the University is removing international students from the funded base over a five year period. This is the second year of this program to replace the base funded international students with domestic students. At the same time, the number of international students is expanding towards a target of 10% of the student population, as established by Senate. A historical review of total tuition from International students is shown as Appendix I.
4.2. EXPENSES
The 2004/2005 base operating budget represents an $18 million increase (7.3%) over the 2003/2004 base operating budget due primarily to the expansion of targeted programs and other costs as set out in Schedule B. These costs include salary and wage increases attributed to step or progression-through-the-ranks. The University is continuing to fund market and retention differentials in order to attract and retain the best faculty and ensure the highest quality of academic instruction and research capability for the University.

The University is continuing the strategic initiatives fund to support internally generated change and development. One of the very important new initiatives supported in the 2003/2004 budget year was the Curriculum Review initiative which makes certain credit courses in writing and quantitative skills mandatory, increasing student’s breadth of understanding and improving integration with other curricula. Another example of dynamic new programming made possible through previous allocations from the strategic initiatives fund is the new Faculty of Health Science. Start-up funding for this strategic initiative is supported in this budget.

As the University searches for other sources of income this budget contains an increase for the Advancement office of $300 thousand. An external review of the University’s Advancement operation was conducted last year and recommended the recruitment of a new Vice President, Advancement. This was completed in 2003/2004. The department requires an increase in resources, as suggested by the external review, to achieve the higher targets for donations and gift to meet university needs.

SFU remains committed to providing the facilities necessary to support a share of enrolment growth flowing to the downtown Vancouver Campus. This budget provides for the expansion of the third floor at Harbour Centre.

During 2003, SFU invested heavily in new information technology and systems to replace out-dated and obsolete systems. The Student Information Management System (SIMS), utilizing the PeopleSoft Enterprise system, was activated in autumn 2003. In 2004, the PeopleSoft Payroll, Financial Accounting/Reporting and Budgeting modules will be developed and go into service. Supporting these systems, together with significant increases to the size and complexity of the university’s IT infrastructure, will require additional personnel to meet service reliability and support needs.

SFU continues to be committed to maintaining a high-quality Library, and will require additional budget support in 2004 / 2005. The importance of the Library to research and to the student academic experience cannot be overstated. Improvements to both library services and acquisitions are recommended.

4.3. BUDGET CUTS / REDUCTION
This budget will require a budget reduction equivalent to 4.2% applied to non-salary expenditures. In keeping with the budget principles noted above, the cut will be applied equally across all Vice-Presidential portfolios. Also, consistent with the budget principles, it is critical that the university preserve its instructional, research and support service capabilities. Faculties and departments have been asked to prioritize their needs and achieve the budget reduction without resorting to personnel lay-offs or, where possible, elimination of vacant positions. Individual departments may also utilize a portion of their available fund carryforward to buffer the impact of the cut in this budget year.

5. DISCUSSION – TUITION AND FINANCIAL ASSISTANCE

5.1. TUITION
This budget recommends that the basic tuition fee per credit hour increase from $123.70 to $142.30 for an overall increase of 15%. This follows 30% tuition fee increases in both 2002 and 2003 and a 6-year tuition rate freeze prior to 2002. After a tuition fee increase of 15% SFU’s fee will continue to fall below the projected national average. Specific tuition fee recommendations for Undergraduate and Graduate programs are detailed in Schedules C and D, and present a range of tuition fee increases and decreases to reflect cost of course delivery and marketplace considerations.
5.2. **FINANCIAL ASSISTANCE**

The Working Group on Access appointed by the Finance and Administration Committee of the Board of Governors has contributed greatly to the understanding of tuition fee impacts on students. Recommendations of this Working Group will be brought forward to the Senate Committee on Scholarships, Bursaries and Awards for consideration. This budget calls for 15% of the resulting tuition fee revenue increase to flow back to the Scholarship, Bursaries and Awards (SBA) program. This 15% together with the additional contribution in this year's budget that relates to the summer tuition semester yields a year over year increase to the SBA budget of 19.4% as shown on Schedule A. In addition, it is recommended that a further $985 thousand from the 2004 / 2005 non-recurring budget be redirected as a one-time additional contribution to bursaries, resulting in a total contribution of $3.269 million to SBA. The amount of the non-recurring contribution is established at a level that is projected to meet 75% of the assessed financial needs of bursary applicants. A historical review of the total contribution from the base operating budget to Scholarships, Bursaries & Awards is shown as Appendix II.

6. **CONCLUSION**

The message that was received from the community throughout this year’s round of budget consultations is clear. Simon Fraser University must remain committed to the highest quality of education, while being sensitive to student needs and potential financial barriers to access. We must remain diligent in ensuring that our campus is operated in a cost effective and fiscally responsible manner, while maintaining the standards of academic instruction and research that will continue to provide access to academically qualified students and attract superior faculty to the University.

We believe that the budget recommendations brought forward in this document achieve a balance among these requirements.