

**PRESIDENT'S REPORT TO
McMASTER UNIVERSITY'S BOARD OF GOVERNORS
APRIL 14, 2016**

Integrity of Structure and Process: Adjustments to the McMaster Budget Model

In my last *Forward with Integrity* document, “FWI: The Next Phase”, I made the point that aligning the University’s organizational structures better to support the strategic goals and priorities of the academic mission would be crucial to our success, and I identified the McMaster Budget Model as a critically important component of this structural integrity. After almost two full budget cycles in operation, during which the operation and impact of the model have been closely monitored and a number of refinements made, the time is right to make some additional adjustments. The Provost has accordingly recently announced a number of refinements to the model intended to address a range of key concerns, and including measures aimed at addressing inequities between different Faculties, increasing further the University’s direct support of the research mission, and modifying the structure of the student bursaries pool to maintain student support at the required level.

The key adjustments to be made are as follows:

Support Unit Accountability and Transparency

In order to promote greater awareness of the University budget and enable the community to propose areas of concern and priority, an opportunity for input on budgeting priorities will be provided early in the cycle, before the budget allocation process begins. Further, in an effort to better align support unit missions with the expectations of the Faculties, the University will begin holding budget conferences to enable the Deans to learn about support unit budget submissions and requests prior to formal receipt of budgets by the Budget Committee. Support unit budget reporting templates have also been modified to capture clearer and comparable metrics, and enhance transparency.

Hold Harmless

In rolling out the new model it was agreed to “hold Faculties harmless”, which brings the Faculty allocations, net of central costs, up to their 2013/14 allocation level. The original intent, supported by our budget modelling, was that all Faculties would grow out of hold harmless naturally over a few years. It is now clear that this is not the case and three Faculties are still in hold harmless, two at levels that are likely to persist for quite some time. It is clear that over the long term, the state of being in hold harmless has proven to be a major disincentive to growth; any revenue growth achieved by the Faculties is used to decrease the amount of top-up required from the University Fund, and is not paid directly to the relevant Faculty. To remedy this and encourage revenue generation and growth, the hold harmless system is being replaced with an incremental Faculty Supplement. This fixed supplement will be added to a Faculty’s calculated allocation, thereby allowing for all additional revenue to flow directly to the Faculty. These fixed supplements will remain at the calculated values for the next three years, with the Provost initiating discussions with the affected Faculties to review how these values will be reassessed after that period. The conversion of the hold harmless value to a fixed supplement will also place each Faculty in the same position with regard to any increases in central costs or reductions in revenues, which will flow through to the Faculties in the same manner.

Equity Amongst Faculties

The budget model uses the actual revenue received in relation to each program/student to flow funds to the Faculties. The professional Faculties offer undergraduate programs for which the province allows significantly higher tuition rates to be charged. Higher tuition is permitted by the government as a reflection of the high cost of offering some kinds of programs, as well as the perception that the higher earning potential for graduates of professional programs justifies the higher cost of education. This does, however, lead to internal disparities in the income-cost balance between different Faculties, which we plan to address through the introduction of a tiered taxation system for the Research Infrastructure Fund (described in more detail below).

Greater Support for Research

Research Infrastructure Fund

Currently the Research Infrastructure Fund serves to redirect some of the framework funding received by the University to support Faculties with high research infrastructure costs. Funds are drawn into a pool on the basis of total Faculty revenue by means of a tax. These funds are then allocated to Faculties on the basis of research overhead and are available to the Deans to support research activities in their Faculties. As mentioned above, the taxation rate for this fund for the high tuition Faculties and the Arts & Science program will now be increased; this is intended to recognize the importance of McMaster's research mission without placing an undue burden on the lower tuition Faculties.

Vice-President (Research) Discretionary Funds

The Research Infrastructure Fund provides Deans with resources to support research activities in their Faculties. In addition, the budget model includes a Discretionary Fund for the Vice-President (Research), created by withholding a percentage of the research overhead, with the remainder going to the Faculties. Although the fund was established to match the level of funding previously used by the Vice-President (Research) for this purpose, it has become clear that, to support the research mission, the Vice-President (Research) at McMaster needs a larger pool of flexible funding than has traditionally been the case. To address this, the percentage of research overhead allocated to the discretionary fund will now be increased.

Student Bursaries

To meet rapidly increasing Student Access Guarantee payments and government-mandated Tuition Set Aside requirements, changes to the structure and method of allocation of the student bursaries pool will be made. The changes involve charging Faculties directly for the actual amounts required under the Student Access Guarantee each year, in order to create more flexibility within the bursaries pool. Further adjustments to the pool will be made as needed to maintain student supports at the mandated level.

Impact and Future Considerations

The combined changes outlined above will serve to address a number of critical issues and I am grateful to the Provost for his work on this and his ongoing assessment and review of the budget model. Since the adjustments reduce the overall level of Faculty Supplements required, a further benefit is that additional resources will be available within the University Fund for strategic reinvestment in the Faculties in support of our strategic priorities and academic mission. As Board Members know, the future of university funding in Ontario remains uncertain and we await clarity on both the tuition framework and the funding formula at the current time. We will continue to monitor both of these things, as well as the operation of the budget model, and may

well need to make further adjustments as the direction and impact of government policy becomes clearer and the impact of the current changes to the model can be assessed fully.

CAMPUS UPDATE

Research

Theoretical Physicist Awarded Simons Fellowship

Catherine Kallin, Professor of Physics and Astronomy, was recently awarded a Simons Fellowship in Theoretical Physics. She is one of just two women, and the only Canadian, to be named a Fellow in that category. The fellowship will allow her to spend the rest of 2016 at the University of California, Santa Barbara, where she'll continue her research in superconductors at the Kavli Institute for Theoretical Physics.

McMaster Patient-Oriented Research Awarded \$25 million in Federal Grants

McMaster is receiving two of five large federal grants for pioneering developments in patient-oriented healthcare. The grants, worth \$12.5 million each, have been awarded by the Canadian Institutes for Health Research under Canada's Strategy for Patient-Oriented Research. The grants will support the Chronic Pain Network led by Norm Buckley, Professor and Chair of Anesthesia, and the Chronic Disease Network led by Paul Moayyedi, Professor of Medicine.

Pushing the Frontiers of Science and Evidence-Based Decision Making

Two McMaster projects have been awarded more than \$1 million from the Canada Foundation for Innovation to ensure they have access to cutting-edge equipment and facilities. Biologist Joaquin Ortega will use the funding to access a cryo-electron microscope system, which is essential to his research program. Funding was also awarded to the Decision Making Centre, an innovative new facility that will be led by Khaled Hassanein, Professor of Information Systems, in collaboration with Patrick Bennett, Professor and Chair of Psychology, Neuroscience and Behaviour, and Canada Research Chair in Vision Science, and Milena Head, Professor of Information Systems and the Wayne C. Fox Chair in Business Innovation.

Student Success

University Affairs highlights Professor Sheila Sammon

A McMaster professor is one of five teaching-stream faculty profiled in a recent edition of *University Affairs*. Professor of Social Work, Sheila Sammon, was the first instructor promoted to full professor in the teaching stream at McMaster and is described as a "trailblazer" in the article.

Light Up the Night wins Canadian Event Industry Award

The team behind the University's first end-of-year block party has won a Canadian Event Industry Award for the Best Event Produced for a Corporation by an In-House Team. McMaster's event, organized by the Alumni Association, the Student Success Centre and the McMaster Students Union, tied with WestJet and beat well-known events such as the Calgary Stampede and the Toronto International Film Festival.

Community Engagement

McMaster's Women of Distinction

The YWCA recently held its 40th Women of Distinction Awards, and six of the award-winners share a connection with McMaster:

- Brenda Vrkljan (Business, Education & Mentorship), is an Associate Professor in the School of Rehabilitation Science.
- Sarah Glen (Community Leadership), is the manager of community initiatives at the Hamilton Community Foundation, and teaches a course at McMaster where community groups seeking assistance with research projects are connected with students.
- Alba Guarné (Science, Technology or Trades), is an Associate Professor in Biochemistry and Biomedical Sciences.
- Rebecca Babcock (Young Women of Distinction), has dedicated her young career to helping at-risk children and women with cancer. She is the co-founder of the McMaster Athletes Care Program and the Steel City Amazing Race
- Maroussia Hajdukowski-Ahmed (Lifetime Achievement), is a Board Member of the Immigrant Women's Centre for Newcomer Health, the Immigrant Culture and Art Association, and the India-Canada Women's Committee. She also helped establish the Women's Studies program at McMaster.
- Rachael Finnerty (Health), works with youth, promoting self-worth, personal insight, and problem solving as program manager of Fletcher and Associates. She has also served as President for the Music Therapy Association of Ontario, where she piloted new music therapy programs including one at the McMaster Children's Hospital.

McMaster Water Expert joins League of Leaders as Great Lakes Guardian

Gail Krantzberg was invited to the newly-created Great Lakes Guardians' Council, which first met on World Water Day. Dr. Krantzberg is a Professor of Civil Engineering at McMaster and is one of North America's foremost experts on the Great Lakes ecosystem and sustainability, with more than three decades of experience.