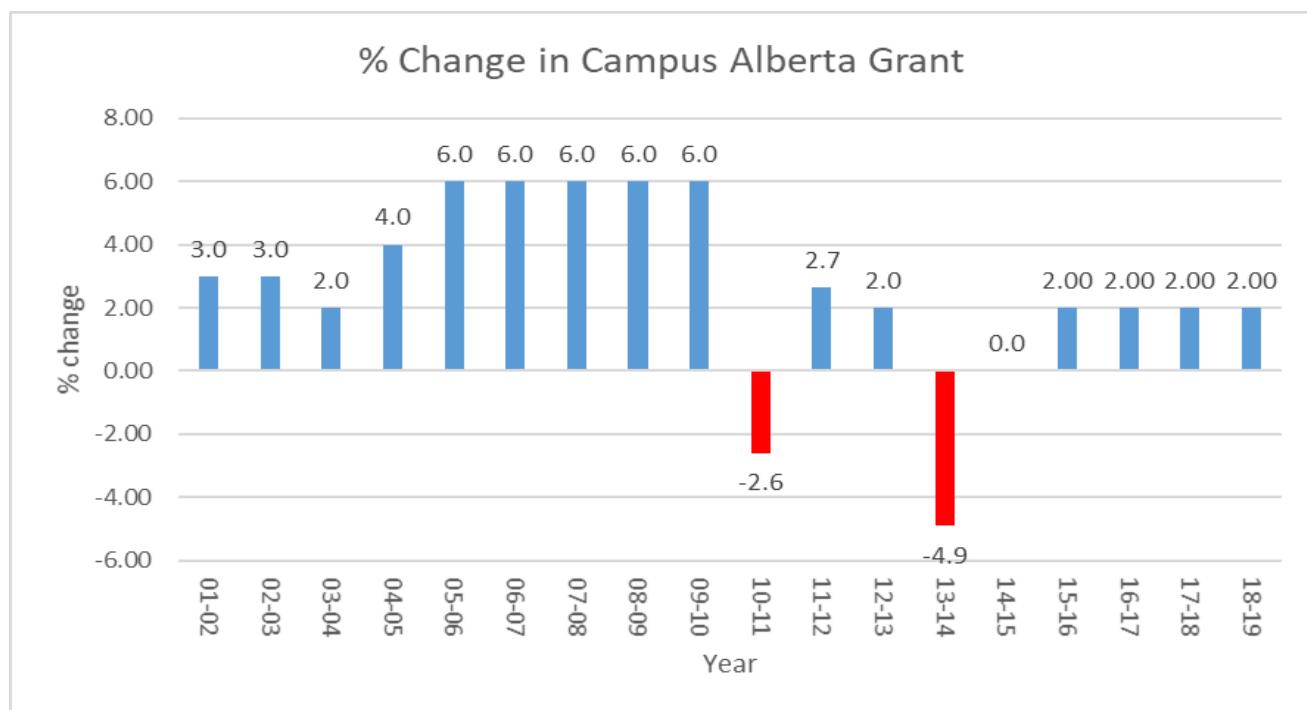


## BALANCING THE UNIVERSITY BUDGET

### WHY ARE BUDGET REDUCTIONS REQUIRED?

Why does it seem that the University is continually making budget reductions when the Provincial Government has increased our Campus Alberta Operating Grant by 2% in each of the past four years? In very simple terms, the answer is that despite the operating grant increases, the University's annual expenses are increasing at a higher rate than revenue increases, creating a budget deficit. The University is required by the *Post-Secondary Learning Act (PSLA)* to achieve a balanced budget and therefore cannot submit a budget deficit to the Board of Governors and the Provincial Government. Given this, budget reductions are required whenever expenditure projections of the University exceed revenue projections.

The University has a number of revenue sources. The largest and most significant of these is the Campus Alberta Grant. This grant is announced annually as part of the Provincial Budget. The following chart gives a summary of the % changes in the Campus Alberta Grant over the past 18 years.



**It is important to understand that the percentage increase in the Campus Alberta Grant does not equate to a similar increase in the revenue budget of the University.** The Campus Alberta Grant comprises approximately 65% of the University's operating budget revenue and therefore an anticipated 2.0% Campus Alberta Grant increase is likely to equate to a 1.25% increase in the operating budget revenue (approximately \$2 million).

## BUDGET BRIEF CONTEXT FOR 2019-20 BUDGET

The other main revenue source for the University is tuition and other fees revenue, comprising approximately 28% of the University's annual operating revenue budget. Since June 18, 2015 the Provincial Government has frozen tuition fees and mandatory non-instructional fees at 2014-15 levels. The Province conducted a review of tuition fees and mandatory non-instructional fees, recently announcing that tuition fees will remain frozen for 2019-20, and any increases thereafter will be capped at the average Alberta Consumer Price Index (CPI). For both fiscal year 2015-16 and 2016-17 the Provincial government compensated the University \$752,685 and \$802,001 in 2018-19 for the tuition fee freeze and \$1,300,000 in 2015-16 for a cancelled market modifier (a tuition increase that had been approved by the previous Provincial government), rolling this funding into the Campus Alberta operating grant. The Provincial Government did not provide any additional compensation to the University in 2017-18 for the freeze in tuition fee rates, further contributing to the deficit. The freeze in tuition fee rates will be in effect through 2019-20, but it is not expected that the Provincial Government will provide any tuition reparation to the University in 2019-20 in light of the tuition fee revenue lost due to the freeze in tuition.

Mandatory Non-Instructional Fees (MNIF) (e.g. Sport and Recreation Services Fees) must be less than or equal to cost-recovery and if an institution is charging less than cost-recovery, the fees may increase up to a maximum of 10% per year. Any new MNIF proposed must have written approval from the Students' Union Council.

Based on projected revenue and projected expenditures for 2019-20, the University anticipates that it will again need to reduce costs in order to achieve a balanced budget. The anticipated increase in expenses is a result of rising compensation and fixed operating costs. Operating costs, other than compensation, that usually rise higher than the rate of inflation include utilities, insurance, library acquisitions, information technology contracts and other costs that are impacted by the high US exchange rate. All reductions will be made in the context of our budget process and values (see **Budget Values & Process** <http://www.uleth.ca/budget-finance/> ).

The following graph indicates the change in the University's budgeted operating revenue and expenditures year over year in current dollars over a 10-year period, including the projections for 2019-20 and 2020-21.

