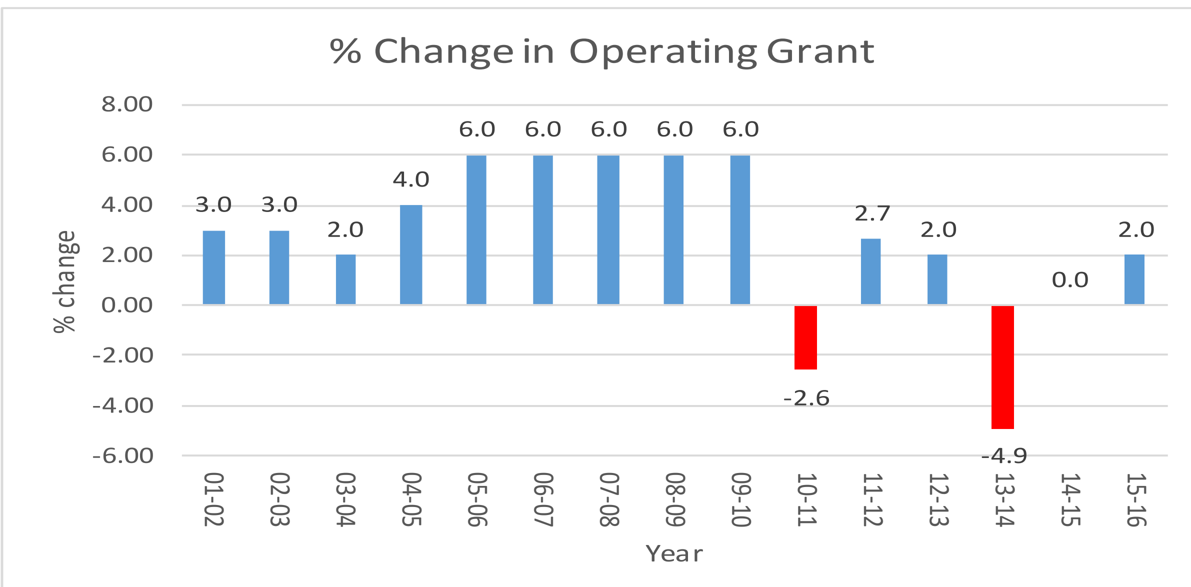
BUDGET BRIEF
CONTEXT FOR 2016-17 BUDGET

BALANCING THE UNIVERSITY BUDGET

WHY ARE BUDGET REDUCTIONS REQUIRED?

Why is the University making reductions to budget units when the Provincial Government has announced its intention to provide a 2% increase in the University's Campus Alberta grant? In very simple terms, the answer is that despite the operating grant increase, 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 present a budget deficit. 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 15 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).

The other main revenue source for the University is tuition and other fees revenue, comprising approximately 28% of the University's annual revenue budget. The Provincial Government announced on June 18, 2015 a freeze to tuition fees and mandatory non-instructional fees at 2014-15 levels and required the rollback of the Faculty of Management tuition market modifier which was previously approved in spring 2015 by the former Provincial Government. For 2015-16 the government compensated the University $752,685 for the tuition fee freeze and

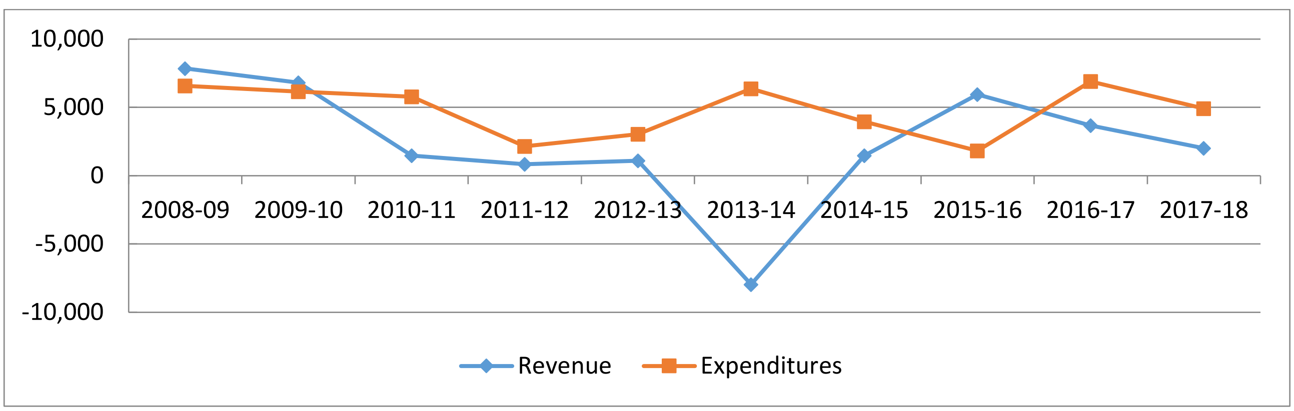
$1,300,000 for the Faculty of Management market modifier, rolling this funding into the Campus Alberta operating grant. It is not expected that the Provincial Government will provide any additional compensation to the University in 2016-17 for the freeze in tuition fee rates which is still in effect, further contributing to the deficit.

Based on projected revenue and projected expenditures for 2016-17, the University is estimating a deficit, prior to any budget reductions, of $3.2 million as a result of rising compensation and operating costs that are anticipated to exceed expected revenue increases. 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.

The University is projecting a budget deficit of $3 million in 2017-18 as well. If these projections prove accurate, this will require additional reductions to be made in order to present a balanced budget. Given these projections, budget reductions that will average 3% to 4% will be required in each of the next 3 years. 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 (not the total budgeted revenue and expenditures in each of these years) in current dollars over a 10 year period, including the projections for 2016-17 and 2017-18.

$ Change from Previous Year
($000)



Note that the projected 2% Campus Alberta grant increase for 2016-17 is based on the June 2015 government budget announcement but the grant increase will not be confirmed until the Provincial budget is announced in Spring 2016.