

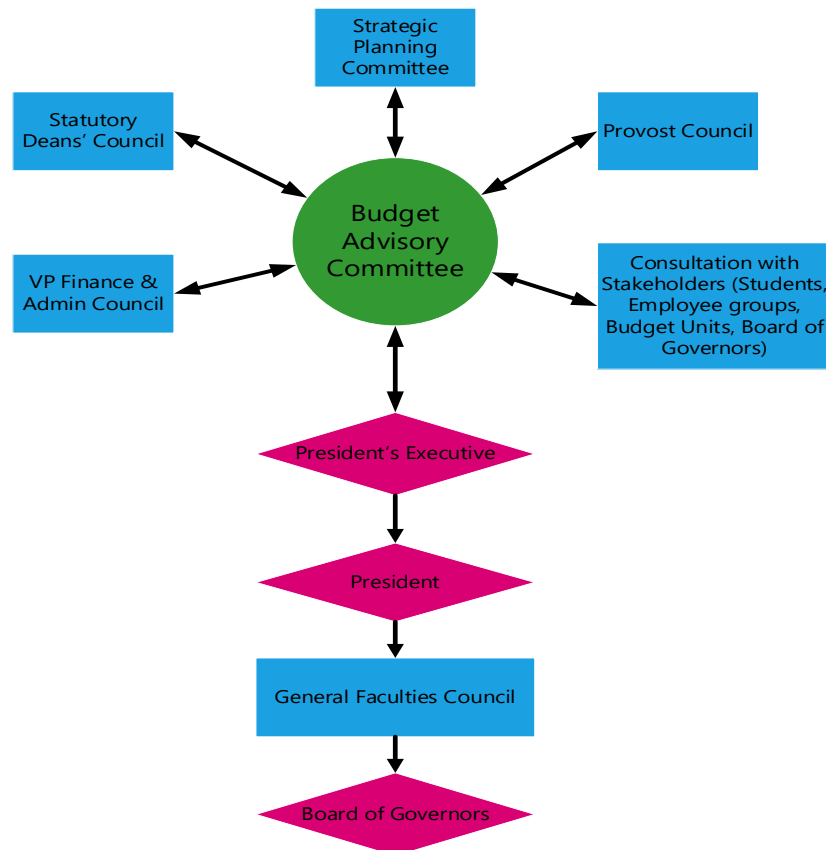
BUDGET PROCESS

Budget Approval Process

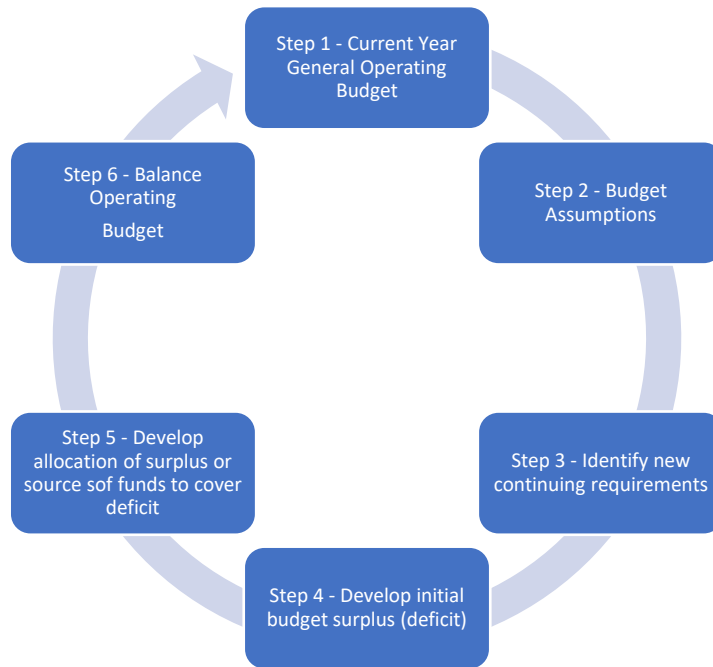
The budget process is very rigorous and open

The development of the 2020-2021 budget is well underway, with a significant amount of consultation and data analysis having taken place over the summer. The budget process begins in earnest in the fall with a significant amount of consultation within the University community. The [Budget Advisory Committee](#) (BAC) makes budget recommendations with input from Statutory Deans' Council, Strategic Planning Committee, Provost Council, Vice President Finance & Administration Council, and other stakeholders including students, employee groups, budget units, and the Board of Governors.

The approval of the budget entails BAC recommending the budget to President's Executive, then the President shares the budget with General Faculties Council and recommends the budget to the Board of Governors' Finance Committee for approval, and then it is forwarded to the Board of Governors for final approval. Throughout the budget process the University community is kept up to date through regular budget messages to the University community, Faculty Councils/Department meetings, the [Budget website](#), and town hall meetings.



The BAC provides oversight of the budget process and makes recommendations regarding budget priorities and resources allocations that support the long-term financial viability and sustainability of the University.



Budget Assumptions

Revenues and expenditures fluctuate year-to-year, but in order to start planning and formulating a budget at least six months in advance of the new budget year, certain assumptions must be made. In making these assumptions, the BAC adopts a conservative approach to ensure that any variations from these assumptions will still allow for sufficient resources to provide for a balanced budget.

The University is required by the *Post-secondary Learning Act (PSLA)* to achieve a balanced budget in the upcoming fiscal year and therefore cannot submit or approve a deficit budget. Given this, budget reductions or increases in revenue are required whenever expenditure projections of the University exceed revenue projections.

Provincial Budget

The University's 2019-2020 budget, which was approved by the Board of Governors on June 13, 2019, has been significantly impacted with the recent October 24, 2019 budget announcement by the Provincial Government. There is an in-year reduction of 3.2% to the University's Campus Alberta Grant for 2019-2020, which equates to a reduction of \$3.4 million in the grant. The Campus Alberta Grant is approximately 65% of the University's operating revenue and thus with only 5 months left in our 2019-2020 fiscal year, reductions will need to be addressed immediately.

The framework for the Provincial budget was from the recent [MacKinnon Report on Alberta Finances](#) which suggested that government work with post-secondary institutions to decide future directions and goals; to examine the current and future financial viability of Alberta's institutions; and to adjust the ways in which post-secondary institutions are funded. In our context, this means less reliance on government grants and increased dependence on funding from tuition fees and alternative revenue sources. Currently, the U of L derives 65% of its operating budget from the Campus Alberta Grant. In comparison, the Campus Alberta Grants for the University of Calgary and the University of Alberta, two other Comprehensive Academic and Research Universities (CARU) in Alberta, equate to 57% and 58% respectively, of their operating budgets. There are a number of historic and structural reasons for this difference but our reliance on the Campus Alberta Grant will need to be reduced in our future budget planning. The MacKinnon Report cites levels in BC, Ontario, and Quebec as those the province of Alberta should aspire to achieve. For more detailed information in the MacKinnon Report refer to the [KPMG: Research & Analysis for use of the Blue Ribbon Panel on Alberta's Finances](#).

The BAC will continue to consult with all stakeholders and make recommendations on how to address the required 2019-2020 budget reductions, as well as planning for the 2020-2021 budget.

One-Time Strategic Priorities Allocations

Strategic priority allocations are allocations made from accumulated operating surpluses. Annual operating surpluses are generally not on-going since they are the result of events or circumstances which occur in a particular fiscal year which are not anticipated to happen in future years. Typically, annual operating surpluses are attributable to savings in employee position funds as a result of the length of time required to fill budgeted positions, fluctuations in investment income beyond anticipated returns, fluctuations in the US dollar exchange rate and cost controls in the areas of materials and services.

In the fall of each year, faculties/departments may be requested to submit strategic priority requests if it is anticipated that there may be one-time funds available for allocation to specific projects that align with the University's strategic plan. The submitted requests are to include detailed rationale, budget and an indication of the return on investment (e.g. projected cost savings, additional revenue generation). The following outlines the process for review and prioritization of the strategic priority requests.



Due to the current significant fiscal restraints in Alberta and the anticipation that there will be little to no one-time funds available for allocation in the fiscal year 2020-21, there will not be any request to the budget units for submission of strategic priorities for the 2020-21 fiscal year. For 2019-2020 the entire \$12.2 million in Strategic Priority Funds will be allocated to support the University's contribution to the construction of the new Science Commons facility (Destination Project – Phase I) until such time as donations are received in future years to recover these funds.