

January 28, 2020

## **Budget Message: Consultation Update, Funding Formula and Next Steps**

The budget consultation process currently being undertaken with our University community is proving to be invaluable as the Budget Advisory Committee continues to prepare for how the University will manage an expected reduction to its 2020/21 operating grant from the Alberta government.

So far, eight open consultation meetings have taken place on the Lethbridge campus, with three more sessions scheduled at our Calgary campus on February 10. Additionally, the U of L's executive team has hosted specific meetings with student leadership, employee groups and faculty and departmental leadership on campus. The turnout at many of these meetings has been good and we appreciate your participation in this important process.

The input gathered from our community has been used by the Budget Advisory Committee to weigh the impact of potential budget decisions on University operations. We remain committed to our budget values of People, Access and Quality, and decisions will be made to protect these values as much as possible.

The Government of Alberta has stated publicly that the collective Campus Alberta Grant allocated to Alberta's post-secondary institutions will be reduced by five per cent for the 2020/21 budget year. While it is still not known how much of the cut will be applied specifically to the U of L's portion of the Campus Alberta Grant, we know a reduction in our allocation is inevitable. The University will be implementing some budget decisions ahead of the new financial year, which starts on April 1, 2020, in anticipation of these reductions. The University is being prudent in its budget decision-making while anticipating that additional budget certainty will come from the Alberta government later this spring. However, some initial steps must be taken to ensure we are able to manage the operation of the University in the year ahead.

As mentioned in a previous budget message, the U of L Board of Governors passed a balanced budget for the 2019/20 budget year in December after receiving an in-year 3.2 per cent (\$3.4 million) reduction to our Campus Alberta Grant. The process to achieve a balanced budget was accomplished by eliminating 19 positions (academic and non-academic), eliminating the salary contingency fund, reducing the general contingency fund (from \$1 million to \$500,000), reducing the Lifecycle equipment fund (by \$100,000) by redirecting funds from its capital replacement reserve, and through Ancillary Services increasing its contribution to the operating budget. Because these measures have already been undertaken, new approaches will need to be implemented to achieve a balanced budget for 2020/21. The reduction of these various contingency funds has narrowed our ability to adjust to new funding realities.

The University's budget situation will require different approaches than have been implemented in the past to achieve a balanced budget. Notably, the U of L will not be offering campus-wide, centralized early retirement packages. Staff and faculty who are contemplating retirement should contact their managers or deans. Human Resources is currently undertaking pension and retirement planning information sessions to help faculty and staff who are contemplating such a decision. More information may be found at: <https://www.uleth.ca/hr/pension-and-benefits>.

Complicating our budget deliberations is the Alberta government's announcement of a new funding model for the post-secondary sector. On January 20, Advanced Education Minister Demetrios Nicolaidis announced a new outcomes-based funding model requiring post-secondary institutions to achieve key performance measures. The Alberta government will negotiate three-year funding agreements with institutions called Investment Management Agreements that will include specific performance targets for each institution. These agreements will also specify the amount of Campus Alberta Grant funding at risk in relation to each performance target. The amount of at-risk Campus Alberta Grant funding will begin at 15 per cent for 2020/21 and increase to a maximum of 40 per cent by 2022/23. A number of performance measures will be introduced for the 2020/21 academic year with additional measures being introduced over the following three years.

On January 24, 2020, the U of L participated in preliminary discussions with Alberta Advanced Education officials and other Alberta institutions regarding the proposed performance metrics. We expect to have specific discussions and negotiations with the department in the coming weeks. We are currently analyzing how some of the expected measures align with specific attributes of the U of L to guide our discussion.

It is an anxious time for the people of our community. The uncertainty associated with the upcoming provincial budget, coupled with the hard decisions we will have to make, is unsettling. That being said, if you are feeling overwhelmed by this or other personal or work-related situations, faculty and staff are encouraged to access the University of Lethbridge [Employee and Family Assistance Program \(EFAP\)](#). More information about the EFAP program can be found on the website or by calling Homewood Health at 1-888-713-8623 (24 hours).

I want to express my gratitude to our academic staff and employees whose unwavering professionalism continues to create a supportive environment for our students while responding to the needs of the communities we serve. This dedication is vital to ensure the U of L remains one of Canada's leading teaching and research universities and a top choice for so many students.

Mike Mahon, Ph.D.  
President and Vice Chancellor