Frequently Asked Questions about the Budget

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How does the U of L plan its budget?

A consolidated three-year institutional budget is designed for long range planning and allows for critical assessment of the long-term financial viability and sustainability of the institution. The budget encompasses all funding sources since it is the aggregate of all resources that enables the institution to deliver on our Government approved mandate. In order to remain financially sustainable, an institution needs to align its limited financial resources to its strategic priorities. The budget is prepared on a three-year horizon (upcoming year plus subsequent two-year forecasts for longer term planning as any structural changes generally require a time horizon of longer than one year to implement). As mandated by the *Post-Secondary Learning Act* (PSLA), the University is required to achieve a balanced budget for approval by the Board of Governors.

The "Budget Process" Budget Brief describes the budget development and approval process. The University's budget values of people, quality, and access provide context for every step of the budget process (as described in the "Budget Values" Budget Brief).

How much money do we start with?

The University presents a consolidated budget, comprised of unrestricted and restricted funds, to the Board of Governors for approval. The Budget Advisory Committee (BAC) focuses on the general operating fund budget as, generally, the budgets for the other funds are dictated by external granting agency conditions. The difference between unrestricted funds and restricted funds is that the University has more flexibility in how it spends unrestricted funds but can only spend restricted funds as per the conditions agreed to with the external agencies, donors and organisations that contributed the funds to the University.

The largest fund is the general operating fund, which is an unrestricted fund. General operating funds are used to pay for the operating expenses of the University. The major revenue line items are government operating grants, tuition fees, investment income, and sales of services and products. The major expenditure line items include compensation costs, facilities operations, scholarships and materials and services. Even in unrestricted funds there are "non-discretionary" costs, for example utilities and insurance, which must be provided for in the budget prior to allocations for other expenditures as these are expenses that must be paid in order to operate the institution.

More information about the different parts of the consolidated budget can be found in the "Operating vs Restricted Budgets" Budget Brief.

Where does our money come from, and how do we use it?

The U of L's largest source of revenue is government funding, followed by tuition revenue. That money is used to operate the University, paying for salaries and benefits; materials, supplies and services; and other expenses. Refer to the "Operating Expenses" Budget Brief for more details about the expenses associated with operating the University.

How do we estimate budget changes each year?

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 Budget Advisory Committee has adopted a conservative approach to ensure that any variations from these assumptions will still allow for sufficient resources to provide for a balanced budget.

The "Operating Budget Guidelines and Assumptions" Budget Brief discusses the guidelines and revenue and expense assumptions made in developing the 2022-23 budget.

The Budget Brief "Accounting for Operating Budget Uncertainties in the Planning Process" also discusses the major sources of uncertainty encountered while developing the operating budget, which include the Campus Alberta operating grant, tuition revenue, student enrolment, investment income, compensation agreements, and other issues.

Why do we have an operating surplus if we have to make budget cuts?

The University's annual operating surplus, which is the excess of revenue over expense, is shown on the Statement of Operations in the audited Financial Statements. Annual surpluses are generally the result of events or circumstances that happen in a particular fiscal year that are not anticipated to happen in future years, such as fluctuations in investment income beyond anticipated returns, fluctuations in the US dollar exchange rate, and cost controls in the areas of materials and services. Any operating surpluses are generally used to fund University strategic priority projects. It is important to emphasize that operating surpluses are funds that are available only on a one-time basis, which are not automatically replenished annually, and they are not funds that can be used to cover on-going or continuing deficits that exist in the University's operating budget. More information about operating surpluses is available in the "Operating Surplus" Budget Brief.

How do we set tuition and fees?

After the Campus Alberta operating grant (comprising approximately 56% of the annual operating revenue budget), the other main revenue source for the University is tuition and other fees revenue, comprising approximately 36% of our annual revenue budget.
In Alberta, tuition and mandatory instructional fees are set in accordance with the Alberta Public Post-Secondary Institutions' Tuition and Fees Regulation. The U of L also adheres to its own "Establishment of Student Fees Policy" in consulting with undergraduate and graduate students regarding fees including instructional fees, mandatory instructional and non-instructional support fees, and supplementary incidental fees.

The "Tuition Fee Rates" Budget Brief gives additional context around instructional fees at the U of L.

How do we set residence and meal plan rates?

Housing and dining plans are ancillary services, meaning that they must operate on a financially self-sustaining model. The University does not use its operating funds to support these services. In order to ensure that our housing fees are fairly priced, Housing Services conducts an annual market analysis of a variety of west side rental accommodations being offered in the City of Lethbridge. This data is collected from independent rental providers and apartment management companies during the summer months.

Residence and meal plan rates also follow the "Establishment of Student Fees Policy," and undergraduate and graduate students are consulted when setting these rates.

Who approves the final consolidated budget?

The approval of the budget entails the Budget Advisory Committee recommending the budget to President's Executive, then the President shares the budget with General Faculties Council and Strategic Planning Committee for input, and recommends the budget to the Board of Governors' Finance Committee for approval prior to it being 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 "Budget Process" Budget Brief describes the budget development and approval process in more detail.

What is the difference between one-time and continuing funds?

As the name implies, one-time funds are available only once and continuing funds are funds that are expected to be realized every year. Examples of one-time funds are a windfall of investment income or a grant to be used a specific project or purpose. Examples of continuing funds are tuition fees that are collected each year or government operating grants to the institution. Of course, these amounts may fluctuate each year depending on student enrolment and government funding of institutions, but generally these funds are relatively stable.

It is important to understand that one-time funds are only available on a one-time basis and thus cannot provide stable funds to cover on-going or continuing expenses of the University. Similar to savings that individuals may have in their bank account, these funds serve as an important cushion in the case of an emergency or unexpected need for cash. Once the savings are used, they are gone forever and thus not available for on-going budget needs. It would be fiscally irresponsible to use one-time funds as a long-term solution to cover on-going expenditures as these funds would only cover the expenses until the one-time funds were fully depleted.