1. Provincial Budget
2. 2018-19 Operating Budget (Approved by BOG March 16)
3. Ancillaries Budget
4. Questions
System-wide operating funding:
• 2% increase to the Campus Alberta grant (U of A portion TBD)
• Tuition backfill: $17M to the system (U of A portion TBD)

University of Alberta capital funding:
• $30M to increase capacity and reliability of our electrical power system

System-wide targeted program funding:
• 3,000 new technology-related, post-secondary program seats over 5 years (200 seats system-wide in September)
• $7M over five years for scholarships in high-tech
• $8M for student mental health funding
• $11M Indigenous student supports (trainers and scholarships)
Provincial Funding Review
• Uncertainty around funding review continues

Fee Regulation
• Review of Tuition Fee Regulation continues
• Freeze on domestic tuition and MNIFs extended into 2018-19

Revenue Generation
• Government has slowed the approval process or temporarily stopped the capacity of the university to generate new revenue streams

Expanding number of degree-granting institutions
• Grande Prairie, Red Deer, ACAD
Provincial factors to consider over the longer term:

- 2018-19 budget estimates a provincial deficit of $8.8 billion
- Premier references compassionate belt-tightening
- Provincial in-year reductions of $200M in 2016-17 and $400M in 2017-18
- Ministry requested reduction in discretionary spending for 2017-18
- Election on the horizon
- Increasing debt
Projected Provincial Debt

- 2016-2017 (actual): $33.3
- 2017-2018 (forecast): $43.3
- 2018-2019 (estimate): $54.2
- 2019-2020 (projection): $65.8
- 2020-2021 (projection): $77.2
- 2023-2024 (projection): $96.0

Source: Government of Alberta
Operating Budget 2018-19
Important to note that only 58 percent of consolidated budget can be used for funding the core operations of the university.

Total consolidated budget = $1.9B
Where does our money come from and how do we use it?

Operating Revenue: $1,140 million

- Tuition and Fees: 30%
- Provincial Gov't: 58%
- Sales of Services & Products: 9%
- Invest. Income: 2%
- Other*: 1%

Operating Expense: $1,143 million

- Salaries & Benefits: 75%
- Materials, Supplies & Svcs.: 10%
- Amort.: 5%
- Utilities: 4%
- Scholar. & Bursaries: 3%
- Mainten.: 3%

* Grants and Donations ($11.3M) and Federal/Other Gov't ($1.6M)
Not all operating revenues can be applied to general operations:

- Some revenues must be distributed as per special conditions outlined in government letter
- Some revenues must be allocated to faculties (as per revenue sharing agreements)
- Some revenues that are generated by the faculties are not available for the centre to redeploy

For example: Last year, in 2017-18, of $1,136M in revenues only $876M was available for general operating expenditures.
Of the $876M only $750M is able to be reduced due to mandatory expenditures, such as utilities, service contracts, etc.

Therefore:

• Last year’s revenue $1,135M
• Amount available for general expenditures $876M
• Amount available from which to identify savings $750M
Current cost pressures:

- Inflationary cost of goods and services
- Utilities
- Cost of RCRF building" (Research Collection Resource Facility)
- Benefit costs
- Deferred maintenance
Structural Deficit:

- Operating spending allocations are outpacing revenues, creating a structural deficit in the operating budget of approximately $14M.
- Too much reliance on short-term investment income, which is currently being used to keep the size of the deficit at $14M.
Note: Total operating budget revenue for 2017-18 was $1,136M. Of that, $876M could be used for general expenditures.
## 2018-19 Budget Planning Parameters

### Revenue

<table>
<thead>
<tr>
<th></th>
<th>18-19</th>
<th>19-20</th>
<th>20-21</th>
<th>Sensitivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1% = $6.2M</td>
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<tr>
<td>Domestic Tuition</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>1% = $1.9M</td>
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<tr>
<td>Tuition Backfill</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td></td>
</tr>
<tr>
<td>International Tuition</td>
<td>3.1%</td>
<td>2.5%</td>
<td>2.5%</td>
<td>1% = 0.9M</td>
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<tr>
<td>Short-term Investment</td>
<td>$17 M</td>
<td>$15 M</td>
<td>$13 M</td>
<td></td>
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</table>

### Expenditures

<table>
<thead>
<tr>
<th></th>
<th>18-19</th>
<th>19-20</th>
<th>20-21</th>
<th>Sensitivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>ATB (NASA &amp; AASUA)</td>
<td>TBN</td>
<td>TBN</td>
<td>TBN</td>
<td>1% = $6.3 M</td>
</tr>
<tr>
<td>Merit (NASA &amp; AASUA)</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1% = $6.3M</td>
</tr>
<tr>
<td>Benefits¹</td>
<td>4%</td>
<td>4%</td>
<td>4%</td>
<td>1% = $1.6 M</td>
</tr>
</tbody>
</table>

¹ Note: Average annual increase to benefits will vary subject to actuarial forecasts, pension plan performance and changes in staffing patterns
Why a 4% budget reduction?

<table>
<thead>
<tr>
<th>Structural Deficit = $14M</th>
<th>$6M</th>
<th>$6M</th>
<th>$2M</th>
<th>$2M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Pressures</td>
<td>Benefits Increases</td>
<td>Utilities Increases</td>
<td>Reduced Investments</td>
<td></td>
</tr>
</tbody>
</table>

$30 \text{ M} = 4\% \text{ reduction on $750M}$
Fee Changes in the operating budget for 2018-19:

- International tuition increasing by 3.14%—this percentage reflects the rate of inflation at the U of A.
Why don’t we subsidize international tuition with government grant or tuition and fees collected from Canadian students?:

• GOA is clear that grant is to support Canadian students, given that the grant consists of taxpayer dollars

• International students fund the full cost of their education

• Domestic students are subsidized by province
International Student Tuition in International Context (USD)

Source: Higher Education Strategy Associates (Dec 2016)
International student tuition at the U of A is below the U15 average, and a 3.14% increase will not change that position.

Provinces have different policies for international students. Alberta expects international students to pay the full costs of their education.

There are only 14 universities listed because Université de Montréal did not submit their data.
International undergraduate tuition at the U of A is below the U15 average, and a 3.14% increase will not change that position.

Provinces have different policies for international students. Alberta expects international students to pay the full costs of their education.

There are only 14 universities listed because Université de Montréal did not submit their data.

Source: U15 Data Exchange
U of A Student Financial Support (2016-17)

Undergraduate:
• $5.7M in bursaries
• $15M in scholarships

Graduate:
• $84M in awards, research and teaching assistantships
  - $44M of this to international graduate students
• $792,000 in bursaries
  - $478,000 to international graduate students

2016-17 total: $105.5M

In 2017-18, another $2M has been allocated to student financial support.
Non-repayable student aid as percentage of total aid

Source: Alex Usher, Higher Education Strategy Associates (November 2017)
What will be the impact of the 2% increase to Campus Alberta grant and tuition backfill?:

• Budget must pass and then we must receive budget letter from Ministry to know full impact

• In-year budget cuts to Ministry?

• Mid-year 2017-18 cut across government = $400M

• New operating revenues will be used to support the transition to a new sustainable budget environment at the U of A
Ancillaries Budget

- Residences
- Meal Plans
Residences and Dining Services

Guiding Principles

• Quality housing and good nutrition are critical to student academic and experiential success.

• All funds received from students for shelter and food stay within the residence system.

• **No student tuition or government funding is invested in residences or dining services.**

• **Residence and dining services must operate on a breakeven basis. No profit is sought; no loss can be sustained.**

• Residences will be operated as a system.

• Student input is highly valued. Students will assist in shaping the development of residence and dining plans and priorities to sustain and improve the residence and food system.
- Residence Fees
  - 4.0% increase (all locations)

- Meal Fees: (anytime dining)

<table>
<thead>
<tr>
<th>Location</th>
<th>Level/Period</th>
<th>2017-18 Rate</th>
<th>2018-19 Rate</th>
<th>Change</th>
<th>Cost per day after increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lister Hall</td>
<td>Level 1</td>
<td>$4,782</td>
<td>$4,999</td>
<td>4.54%</td>
<td>$19.33*</td>
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<tr>
<td></td>
<td>Level 2</td>
<td>$4,317</td>
<td>$4,400</td>
<td>1.92%</td>
<td>$23.70*</td>
</tr>
<tr>
<td></td>
<td>(Flex $ included)</td>
<td>$900</td>
<td>$300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peter Lougheed Hall</td>
<td>Level 1</td>
<td>$4,650</td>
<td>$4,999</td>
<td>7.51%</td>
<td>$19.33*</td>
</tr>
<tr>
<td></td>
<td>(Flex $ included)</td>
<td>$400</td>
<td>$300</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Augustana</td>
<td>8 months</td>
<td>$4,297</td>
<td>$4,422</td>
<td>2.9%</td>
<td>$18</td>
</tr>
<tr>
<td></td>
<td>4 months</td>
<td>$2,247</td>
<td>$2,312</td>
<td>2.9%</td>
<td>$19</td>
</tr>
</tbody>
</table>

* Cost per day excludes flex dollars
Combined Residence and Meal Rate Comparison

Combined Rent & Meal Rate

- Saskatchewan
- Calgary
- Alberta
- Manitoba
- McMaster
- Dalhousie
- UBC
- Ottawa
- McGill
- Queen's University

$2,000.00
$4,000.00
$6,000.00
$8,000.00
$10,000.00
$12,000.00
$14,000.00
$16,000.00

$ - $16,000.00
What about increased administrative costs relative to classroom investment?
Increases to budget allocations in Fund 100 and 210 over last decade (2007-2017)

- 18 Faculties: **67.2%** net increase
- Administrative units: **39.2%** net increase

**Administrative units include:**

- Provost’s portfolio (includes IST, Dean of Students, Registrar’s Office, UA International, Learning Services and Libraries)
- Research (includes VPR, Research Services Office)
- President’s Office (includes Governance, General Counsel)
- Facilities and Operations
- Finance and Administration
- University Relations
- Advancement
How does the U of A compare to peer institutions on our investments in teaching, learning, and research—our core mission?
Operational Expenditures per FTE on Instruction and Non-sponsored Research, U15 2015-16

University of Alberta: $17,727

- $16,429
- $16,226
- $15,203
- $15,094
- $14,178
- $14,115
- $12,677
- $12,422
- $11,774
- $11,730
- $11,112
- $10,760

Source: CAUBO Financial Information of Universities and Colleges and the U15
Note: Two institutions omitted due to errors and non-reporting