

UNIVERSITY COUNCIL
PLANNING AND PRIORITIES COMMITTEE
FOR INFORMATION ONLY

PRESENTED BY: Dirk de Boer, chair, planning and priorities committee

DATE OF MEETING: November 17, 2016

SUBJECT: **2017-2018 Operations Forecast**

COUNCIL ACTION: For information only

CONTEXT AND BACKGROUND:

The planning and priorities committee is responsible for providing advice to the president on the budgetary implications of the Operations Forecast and for reporting to Council on the nature of its advice.

Note: This year the provincial election delayed the release of the province's budget and therefore also delayed the submission of the university's operations forecast to the province. The province's budget was released on June 1, and on June 30, 2016, the Board of Governors submitted the 2017-18 Operations Forecast to the Ministry of Advanced Education, in keeping with the deadline set by the province. As a result, the planning and priorities committee had an initial discussion about the document at its meeting on May 18 and reviewed a draft of the 2017-18 Operations Forecast at its meeting on June 15, 2016, but did not review the final document. The discussion summary below is therefore based on the draft document and accompanying financial schedules reviewed by the committee at its meeting on June 15.

DISCUSSION SUMMARY:

The 2017-18 Operations Forecast document was considered by the committee to be largely persuasive in articulating the value of the university to the province. Conveying in simplistic terms the value of every dollar invested in the university and the doubling and re-doubling effect that investment has in terms of the benefit to society and the province was suggested by the committee.

The draft 2017-18 Operations Forecast reviewed by the committee reflected media coverage that the province will face financial challenges for the next several years. The scenario of a 0% funding increase presented in the document is a significant challenge to the university equivalent

to a funding reduction of \$26.0 million. Although the university can withstand this reduction at this point in time, successive reductions in the provincial grant will have a far greater effect once university reserves are drawn down.

The committee recognized the fundamental difference in philosophy between the university and the province with respect to the amount of reserve funding retained by the university. Although the university sees its reserve funds as a part of strategic planning for the future, with the majority of these funds committed to future goals, the provincial government holds the view that as a public institution the university should not be holding large amounts of funding in reserve. The university has therefore committed to drawing down its reserve funds over a three-year period. Although the committee respected this approach, it had concerns with how this will be achieved. The committee understood that the proposed 11.5% decrease in funding to revenue centers in 2017-18 would be mitigated by a drawing down of reserves held within colleges and departments. However, for some colleges without large reserves, such as the College of Arts and Sciences, a reduction of this magnitude will have vast consequences.

Drawing down university reserves also reduces the flexibility of the university to withstand budgetary shocks and to cope with budget crises on its own without the province's direct intervention and financial assistance. Related to the focus on the university's reserve funds by the province is the necessity for clarity on the amount of university reserves available, as there is some confusion among members of the university community on this point.

As colleges digest a decrease in base funding, there will be mounting pressure to implement larger increases in tuition to generate enough revenue to sustain program quality. The committee advocates that a coordinated and balanced approach continue to be taken across colleges with respect to tuition as the funding reduction will have a variable effect on our seventeen colleges and schools.

The planning and priorities committee acknowledges the pressures involved in preparing an operations forecast within three weeks of the provincial budget, and commends those involved in preparing this year's submission under those difficult conditions.

ATTACHMENTS:

1. The 2017-18 Operations Forecast is posted at: <http://www.usask.ca/ipa/resource-allocation-and-planning/operations-forecast.php>)