Executive Summary

For the past several years the provincial government has been unable to support the University of Saskatchewan (U of S) at a level that allows us to sustain our programs and services. Notwithstanding that the U of S contributed 1.6% of GDP to our provincial economy, which is more than three times the average contribution of other U15’s, last year the province reduced the university’s funding, thereby curtailing our ability to support the province’s economic and social goals. As our history suggests, this will not deter us from the pursuit of our mission. We remain committed to achieving our institutional mandate—as expressed in our Mission, Vision, and Values statement—in an efficient and effective manner. We will continue to be a major contributor to the well-being of the people of Saskatchewan, specifically by seeking opportunities within Canada’s innovation agenda, capitalizing on our diverse programming and research, infrastructure, and academic talent. We will remain a world class educational and research resource for the province of Saskatchewan.

In spite of forecasts for improved provincial growth for 2018-19, as directed by the province the U of S has modeled a 0% economic increase to our base operating grant ($295 million excluding the below items).

The U of S requests the following funding from the Province of Saskatchewan:

- rapid reinstatement of the $20 million to our base operating grant that was directed to the College of Medicine (CoM) in the 2017-18 funding letter;
- funding to allow the CoM to continue to implement ‘The Way Forward’ ($17.3 million);
- incremental funding for Western College of Veterinary Medicine per the new interprovincial agreement currently under development);
- continued support for student scholarships ($2.1 million);
- supplemental funding and other facilities funding ($13.8 million)
- capital funding including health sciences, preventative maintenance and renewal, ($23.6 million);
- funding for the CERC in Water Security ($4.68 million over the next two years);
- continued funding from Innovation Saskatchewan to support the university’s research mission ($13.6 million for the Canadian Light Source synchrotron, VIDO-InterVac and the cyclotron operating funding);
- continued support of $2 million per year commitment for Global Institute in Food Security (Ministry of Agriculture)

Recognized among the top research-intensive universities in Canada, the University of Saskatchewan’s success reflects directly on our province. Our success is the province’s success, and as such the future of the province is inextricably bound with the health of the University of Saskatchewan. Resourcing our comprehensive, medical-doctoral, research-intensive university cements the province’s rightful place in the Canadian economy.
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Introduction

The University of Saskatchewan is proudly situated on Treaty Six territory and the traditional homeland of the Métis. For more than 110 years, through prosperous and challenging economic times, our institution has contributed to the growth and vitality of the Province of Saskatchewan. Our achievements at home have extended our impact on both the national and international landscapes. We are a leading contributor to economic growth through teaching, scholarship, research, and outreach: the province we know today would be vastly different without our institution.

Saskatchewan’s economic situation and resulting funding cuts to the University of Saskatchewan have placed significant stress on our institution. Yet, we remain steadfastly committed to our plans and priorities. With this in mind, our 2018-19 financial forecast is grounded in the current fiscal reality, and outlines select strategic investments that will ensure our economic, educational and research impact is optimized in future years.

This annual operations forecast to the Ministry of Advanced Education (AE) begins with an outline of our economic impact and fundamental priorities. Underlying our description of our economic impact is the quiet assertion and confidence that the University of Saskatchewan is not part of the province’s economic challenge: we’re part of the solution. Key considerations for each priority area are presented, along with the financial request, and implications of changes in government funding. The comprehensive funding request for 2018-19 is outlined in the context of known financial constraints that the province is facing. Taking those constraints into account, stable funding for base operations is required to support the university’s teaching and learning mission, its research focus, and capital infrastructure.
Economic Impact

The University of Saskatchewan is an engine of growth for Saskatchewan – we educate students to become informed citizens for Saskatchewan’s knowledge economy, attract research and business to the province, engage with community partners across Canada and abroad, and foster cultural diversity and values that deepen Saskatchewan’s strong sense of place.

Key Considerations:

- **More people are working in Saskatchewan, in better jobs, due to the U of S**: 16,398 jobs, or 2.9% of all jobs in the province, are directly or indirectly created or retained because of the university. The average U of S graduate is estimated to earn $19,500 more (per year) than a person without a university degree.

- **We contribute more to our economy than other universities in Canada**: The U of S contributes $1.3 billion to the provincial economy each year, or about 1.6% of the province’s overall gross domestic product (GDP). Typical Canadian university estimates are less than 0.5% of GDP. For every dollar invested in the university, approximately half returns directly to the province through provincial income tax and other taxes ($218.6 million returned to the government in 2015-16).

- **Our economic impact far surpasses the historical investment in the U of S**: Over two one year periods in 2013 and 2015, the province provided $0.9 billion to the U of S, over that same time the U of S contributed $2.5 billion or 2.7 times that investment to the provincial economy.

- **We are trusted to produce research with impact**: The university’s research revenue was $216 million for 2015-16. More than 82% of this total came from sources other than provincial research funds.

- **We connect Saskatchewan to the world**: The University has nearly 900 community partnerships in such diverse fields as health, agriculture, environmental science, and energy both in Canada and around the globe.

The University of Saskatchewan is not simply a consumer of resources: we leverage provincial government investments in our institution. Last year, the Government of Saskatchewan provided $437.8 million in support to the U of S. These funds accounted for 47% of university revenue for 2015-16 ($925 million), meaning that for every $1 of provincial support, the U of S brings in more than $1 of support from other sources. Saskatchewan’s economic competitiveness is heavily influenced by the activities of our institution. The U of S directly or indirectly contributes 2.5% of the provincial salary and wage base.

Annual research funding for the U of S has significantly increased in the last 10 years, from nearly $130 million in 2006 to $216 million in 2016, the highest it has ever been. This funding will primarily be spent in Saskatchewan thereby creating jobs for faculty, researcher and students. Some notable research awards for 2015-16:

- The U of S is the only Canadian university to be awarded two prestigious Canada First Research Excellence Fund (CFREF) grants, including a $77.8 million award to lead the Global Water Futures research program, one of the largest research collaborations in the world and the largest grant ever awarded to the university.

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• The Western Grains Research Foundation (WGRF) and the Crop Development Centre (CDC) renewed their long-standing partnership in wheat breeding. WGRF will invest $5.2 million in CDC’s wheat breeding program over the next five years.

• The Canada Foundation for Innovation provided a $55 million grant under the Major Science Initiatives Program for the Canadian Light Source.

Our institution has invested in innovative research that strengthens our province. In agriculture, more than 400 commercial crop varieties have been developed at the U of S. Because of the U of S the province can boast a billion-dollar pulse crop industry and is world leader in pea, lentil, and chickpea exports: every pulse crop grown in Saskatchewan was developed at our university. The U of S led an international team that drafted the wheat genome sequence, paving the way for new breeding tools for better yield, insect and disease resistance, and end-use quality. In 2015, Genome Canada awarded three of its eleven projects in the national Genomics and Feeding the Future competition to innovative agri-food research led or co-led by University of Saskatchewan scientists. Cutting-edge genomics projects will improve wheat, lentil, cattle and pork production. In terms of research productivity, the U of S is the highest U15 institution for gross licensing income and is above the national average in U.S. patents issued per $100 million of research expenditure. In June 2016, the cyclotron at the U of S, started supplying the Royal University Hospital with radioisotope. The local supply results in an earlier start to clinics and fewer missed appointments due to transportation delays or cancellations.²

We are a significant source of Saskatchewan’s skilled workforce. Between 2000 and 2015, the annual number of degrees, diplomas, and certificates conferred by the U of S has increased by 21% from 3,572 in 2000 to 4,336 in 2015. The average U of S graduate is estimated to earn $19,500 more (per year) than a person without a university degree. The same analysis for Indigenous peoples reveals an even greater boost of $20,031 per year. The annual earnings premium accruing to U of S alumni in the Saskatchewan labour force in 2015 was estimated to be about $76.6 million. Retention of U of S graduates in Saskatchewan following graduation has increased substantially between 2000 to 2015 across all degree levels and fields of study. About 75% of the degrees awarded by the U of S were awarded to people who ultimately remained in Saskatchewan. The retention rate has increased from 66% in 2000 to 81% in 2015 as university graduates enjoy better economic opportunities in the province. In addition, Saskatchewan’s economy is becoming more knowledge intensive, with 44% of the available jobs in the province requiring the skills and knowledge that a university education provides. But only 25% of Saskatchewan’s workforce has a university education, underscoring the critical importance of investing in the province’s post-secondary education (PSE) system.

We support increased trade, investment and exports through international engagement. In 2012, the Global Institute for Food Security (GIFS) was launched, a $50 million partnership between PotashCorp, the Saskatchewan government and the university. In 2015, the university was awarded $37.2 million over seven years by the Canada Excellence Research Fund for leading-edge research and technology that will transform crop development and provide innovative solutions to national and global food security.

The U of S expands the Saskatchewan economy by attracting millions of dollars in new investment, research funding, and student spending to the province while serving as a force for the retention of Saskatchewan talent and money. The presence of the university helps buttress and diversify the economy, spur social and technological innovation, and provide economic opportunity for residents and businesses today and in the future.

Key Strategic Priorities

Saskatchewan Impact - College of Medicine

The current state of funding for the College of Medicine (CoM) requires immediate resolution. This cannot be accomplished without a strong partnership between the Government of Saskatchewan’s Ministries of Health and Advanced Education, and the U of S. The quality of healthcare in Saskatchewan is directly linked to the quality of CoM programs and research. Government funding commensurate with expectations for delivery of medical services and education to the Province of Saskatchewan is required if we are to continue to have a College of Medicine.

The CoM adds immeasurable value to the province. The CoM engages medical faculty, population health professionals, and the biomedical sciences to graduate more than 100 MDs a year, and to supervise over 430 residents across more than 20 disciplines. An accredited medical school, with an active research program, and affiliated medical faculty are core components of Saskatchewan’s healthcare system. An accredited college is imperative if the province expects to recruit and retain doctors and specialists in all areas – including those necessary to staff the Children’s Hospital.

Key Considerations:

- Under existing funding levels, and in spite of a $20 million infusion from the University’s operating budget, the college is facing a deficit of nearly $17 million in 2018-19 in the academic operations (non-clinical). This additional deficit will be added to an accumulated deficit of $40 million. This situation is a direct result of the holdback of government funding and the directive to use fund balances to make up for the deficiency.
- CoM’s five-year plan was based on utilization of fund balances to transition to full accreditation status. $40 million in holdbacks have accelerated the need for additional permanent funding.
- The CoM and the university are committed to building alternative sources of revenue. After considering projections for increased tuition, fundraising and other revenues and intensive efforts to reduce costs and defer projects, the incremental funding required from the province in 2018-19 is $15.3 million for the academic operations of the CoM. Plus $2 million to begin repaying the $40 million cumulative deficit. This is in addition to the restoration of the $20 million to the university’s base operating budget.

Implications:

- The CoM’s deficit is not due to the college’s expense management. On the contrary, spending has been aligned with the implementation of The Way Forward and subsequently submitted multi-year financial plans, as reviewed by the funding partners. Budgeted spending has now been curtailed to be under expenditure levels from the agreed to financial plans.
- The lack of secure and sustainable government funding to support the CoM puts the college’s accreditation at risk. The CoM is the only medical school in North America to be placed on probation twice. A third probation would be unprecedented.
- Guided by its recently approved strategic plan, the CoM is focused on maintaining accreditation and improving its research performance, with cost estimates on target for the plan’s 2017-18 projections.

3 https://medicine.usask.ca/faculty/strategic-plan.php. The CoM worked with the Ministries of Health and Advanced Education on the strategic plan, including significant analysis to support its integrity and success.
**Current Status:**
Current funding levels still leave a structural operating deficit in 2017-18 for academic operations. This is exacerbated by the elimination of the college’s unrestricted fund balances due to the government’s withholding of $20 million in each of 2015-16 and 2016-17. Had those funds not been withheld, the CoM would have been able to mitigate this challenge over a two- to three-year period. Even with the unsustainable repurposing of $20 million of university funds, as directed in the 2017-18 funding letter from AE, we are still well short of adequate funding for an accredited college of medicine. In addition to the inherent challenges to maintain operations, the structural deficit places the CoM in this difficult situation at a time when we are in the midst of intense and focused efforts to correct longstanding systemic issues and renew accreditation.

The five-year plan agreed to by both AE and the Ministry of Health (MoH), submitted in summer 2016 noted a required cost base in 2018-19 of $93 million. Despite the uncertainty inherent in those projections (e.g. ACFP participation rates), the 2018-19 projection is tracking very closely to those numbers at $93.2 million, which represents the minimum on-going cost base required. Even with aggressive revenue growth projections in tuition and fundraising and further efforts to repurpose funds to ensure every dollar is being spent on only the topmost priorities in the college, this leaves a gap of $15.3 million that will be required incrementally from the province in 2018-19. Additionally, the CoM’s revenue base must include a strategy to address the projected $40 million in negative fund balances for academic operations by 2018-19. For that reason we are requesting, in addition to the $15.3 million for operations, a $2 million contribution in 2018-19 to assist in what will be a challenging and extended payback period for this deficit. Much work and prioritization of funding still has to be done to achieve the necessary revenue and cost balance. The reductions to be made are not without risks, particularly risks to faculty engagement and the risk of reversing the success the CoM has recently achieved in particular accreditation metrics.

Without a college of medicine in the province, clinical care costs would increase dramatically as the work performed by residents would need to be absorbed by other physicians. In addition, in a highly competitive environment (with the other provinces each having one or more medical schools) recruitment and retention of physicians in Saskatchewan would become much more difficult. What’s more, the quality of healthcare would decline in the absence of academic medicine (teaching, research).

When looking at the more comprehensive operating scope of the CoM, it is important to remember that the funding for the CoM educational programs flow almost entirely through the university’s financial books rather than as government transfers to health regions or clinical departments as is often the case in other jurisdictions. An example of this is the compensation costs for our residents of over $33 million per year which is included in the CoM financial statements. Thus, the CoM financials appear significantly larger than other medical schools. This flow of funding has created the erroneous impression that the CoM is very generously funded, whereas what it actually reflects is a different reporting model than the one found in most other Canadian medical schools.
The structural deficit of the CoM is a direct result of the following imperatives:

1. **Undergraduate Medical Education (UGME) Accreditation:** The CoM is in the midst of multi-year restructuring required to address long-standing deficiencies. The CoM was placed on probation twice (2002 and 2013), and is preparing for a full accreditation visit in October 2017. A third probation would jeopardize the ability to train Saskatchewan’s future physicians, including those required to staff the new children’s hospital.

2. **CoM Transformation:** The CoM cannot operate without significant physician involvement. These physicians are paid at rates that are dictated not by the college but by schedules negotiated by the province.

3. **Educating the Next Generation of Saskatchewan Physicians:** The CoM educates 400 UGME students and 437 MDs across 23 specialty disciplines – medical residents are vital to the healthcare system. Without these residents, the delivery of healthcare to the people of Saskatchewan would be much more costly.

The future of health care, including the success of the children’s hospital in this province is dependent upon a collaborative resolution of this structural deficit and commensurate support from the province and the university.
Interprovincial Impact - Western College of Veterinary Medicine

The Western College of Veterinary Medicine (WCVM) is a premier centre for veterinary education in North America. The WCVM has trained most of the 4,652 veterinarians in Western Canada. The region accounts for over 65% or $8 billion of the market value of cattle, swine, poultry and other livestock\(^4\).

**Key Considerations:**
- An annual economic increase of 2% is being requested by the WCVM for the duration of the next interprovincial agreement. The college is projecting the need for additional investment that will ensure the WCVM’s academic programming is sustainable and accredited. WCVM’s total financial request will be clarified as interprovincial agreement negotiations continue to progress.
- The WCVM needs the provincial government’s support to renew the interprovincial agreement, secure support of other provincial partners, and ensure sufficient funding to meet accreditation standards.

**Current Status:**
An accreditation review site visit is scheduled for October 2017. With the WCVM interprovincial agreement expiring in April 2017, uncertainty about sufficient ongoing program funding creates an accreditation risk. In addition to accreditation risk and potential impacts on academic mission, there is a further risk of loss of provincial partnerships and associated operating revenue.

Preliminary figures from 2016-17 show a deficit in the college operating funds that is offset by a clinical activity surplus of the same magnitude. As the currently vacant faculty positions are hired within 2017-18, this will result in a deficit in 2017-18. The college’s proposed five-year spending plan will allow the college to remain fiscally and programmatically viable. The college is a major contributor to interprofessional education and research. It enhances the agricultural economy, animal and public health, and support for Indigenous communities. Failure to support the college will diminish or eliminate much of this impact.

The WCVM is nationally recognized for its interprovincial collaboration, through the shared operating funding with partnering provinces and the veterinary college’s commitments to the region. The four western provinces share the direct operating costs of the college in proportion to provincial class representation. Because the university and the province benefit financially from the location, indirect costs are paid by Saskatchewan.

The current five-year funding agreement includes a fixed annual cost escalator of 2%. Operational cost increases of 4-5% per annum translate into a deficit operating budget. Through effective management, the college trimmed costs, significantly streamlined operations, and used reserve funds accumulated over the past few years to address capital needs to maintain the program and facilities. Remaining funds cannot be used for necessary new faculty, and there is no other source for capital improvements. The college faces two critical issues: 1) there is very little operating budget left to trim, and 2) investment in positions, such as a faculty position in emergency care is necessary to maintain current accreditation standards, ensuring a broad range of specialties are reflected in case teaching.

\(^4\) WCVM Economic Impact Study.
Northern Impact – Distributed Learning Strategy

The U of S’s distributed learning strategy pledges accessibility - enabling students to complete courses and programs with a “learn where you live” approach. This is particularly critical for Indigenous, rural, and northern residents, who are underrepresented degree holders.

**Key Considerations:**

- Distributed learning requires a diverse offering of scholarly and research programs to add value to the educational experience regardless of where one lives.
- Recent provincial funding decisions have eliminated signature programs to northern residents.
- In 2017-18, the University of Saskatchewan will review all programs and activities to ensure meaningful contributions for and with the people of the north.

*International Centre for Northern Governance & Development (ICNGD):*

ICNGD enhanced the capacity of Saskatchewan’s northern communities through tailored education programs and an extensive community-applied research program. Two graduate interdisciplinary programs offered through ICNGD included an internship component and travel to the circumpolar north to gain international field school experience.

In 2017-18, the province eliminated ICNGD funding of $1.07M, forcing the suspension of the centre’s operations. Because the Centre was given no warning regarding its funding, the university will be obliged to ensure that all currently enrolled students will be able to finish their programs. Going forward, northern students will be faced with limited options in pursuing careers in northern development and governance while the demand for these opportunities is unlikely to diminish.

*Northern Teacher Education Program (NORTEP):*

This program, established in 1976, was located in La Ronge and provided students from 45 northern communities with the opportunity to work towards a Bachelor of Education degree. NORTEP allowed students to access courses that could be used towards a degree program from either the U of S or the University of Regina. This program attracted Indigenous residents in northern communities with the opportunity to teach students in their own Indigenous language.

The decision by the Ministry of Advanced Education to have Northlands College take over programming from NORTEP (and NORPAC) was not based on consultations with the university. The university’s governance on academic programming changes requires consultation with students, faculty, and other key stakeholders in order to approve changes. This change will continue to require significant collaboration with Northlands College to reduce negative student impact.

*College of Law Nunavut Program:*

The Nunavut Law Program is a partnership between the College of Law at the University of Saskatchewan, the Government of Nunavut and the Nunavut Arctic College. The College of Law will deliver a four-year law degree for up to 25 students in Iqaluit beginning in September 2017. Students who successfully complete the program will receive a Juris Doctor degree in 2021.
Teaching and Learning – Student Support

The provincial government’s support for scholarships has enabled the university to improve accessibility and affordability for students. Funding from other sources that match the province’s contribution and has doubled this impact.

Key Considerations:
- The university requests the province provide Saskatchewan Innovation and Opportunity Scholarship (SIOS) funding of $2.1 million.
- The 2017-18 SIOS reduction of $800,000 translates into approximately 500 fewer awards, and has put a funding strain on the university to make up the shortfall for students.
- The elimination of the tuition tax credit will further increase the financial burden for students.
- The university remains committed to adherence to the tuition principles of affordability and accessibility, comparability, and quality.

Current Status:
In 2017-18, the province reduced funding for SIOS by approximately $800,000 (or 38%) from the previous year. The university will seek ways of making up for this shortfall in the Opportunity portion of SIOS, but the result will be less funding in other areas. Further cuts to SIOS funding will exacerbate barriers to access post-secondary education. On average, from 2012-13 to 2015-16, nearly 1,400 awards were granted to students in each year of the SIOS program (from government funding and matching donations).

The university encourages the province to continue providing matching funds to support student innovation; continued funding of international scholarships will help the province achieve the goals set out in the International Education Plan. Finally, the university requests that the full amount of scholarship funding be restored for undergraduate and graduate students, and Huskie athletes.

In 2015-16, the university invested $44.4 million into student financial aid, approximately 33% of tuition revenue. The provincial government’s investment of $2.1 million to support student scholarships, represented 4.7% of total scholarship investment. Sustaining matching scholarships increases the university’s ability to leverage philanthropic support and citizen engagement.

The 2017-18 provincial budget eliminated the tuition and education tax credits for post-secondary students. Coupled with the province’s reduction in SIOS funding, the elimination of the tax credits increases students’ financial burden dramatically. The U of S tuition policy emphasizes the principles of affordability and accessibility, comparability (to other peer institutions), and academic program quality. The university confirms that the 2017-18 tuition rates approved by the Board of Governors in December 2016 will not be changed, in spite of the increased financial challenges the U of S is facing. The university is committed to maintaining tuition at a reasonable level in relation to its peer institutions, but increases will be required given decreased funding support from the Government of Saskatchewan.

Research and Discovery – Research Programs

The Province of Saskatchewan directly funds research, provides funding to operate research facilities, and provides funding to the university’s research institutes. Directly funded research has been approximately $21 million over the last five years, with over half coming from the Ministry of Agriculture.

Key requests:
- Funding for CLS in 2018-19 of $5.8 million.
- The Sylvia Fedoruk Centre, up for renewal in 2018-19, is requesting $2.2 million.
- VIDO and Intervac funding is requested to remain at 2017-18 levels at $5.63 million.
- The Water Security CERC which has $4.7 million overdue from the provincial government is requesting a minimum of $2.3 million.

Research Facilities:
In contrast to most other provincially funded research facilities, at the U of S, VIDO-InterVac has sufficient resources to address short- to medium-term needs. VIDO-Intervac has had significant impact on animal health. When the Porcine Epidemic Diarrhea Virus in pigs became epidemic, VIDO-Intervac developed a vaccine within 18 months of the outbreaks. Research is currently being conducted on the Zika virus. From Innovation Saskatchewan, $2.1 million is received annually for InterVac and $3.5 million for VIDO; InterVac also received a CFI operating award for 2017-2022. Funding provided by the province is leveraged for other revenue generation.

Despite highly successful impacts such as advancing techniques to image prostate cancer and improve diagnostics, Canada’s only synchrotron, the Canadian Light Source (CLS) is struggling to find sufficient matching funding for its CFI operating award. Over four years the CLS received $11 million ending in 2016-17 towards matching this grant. Looking ahead annual matching provincial funding of $30.7 million over the 2017-2022 period is requested.

Innovation Saskatchewan Funding Priorities:
The Fedoruk Centre’s annual $1 million funding to operate the cyclotron ends in 2017-18. Even with revenue from the sale of fluorodeoxyglucose (FDG) to meet health region requirements for positron emission tomography (PET) scans, the cyclotron is not sufficiently financed to maintain current operations, which require on-going annual funding of $2.2 million. The Centre received $30 million over seven years up to 2017-18 to fund nuclear medicine and imaging research used to develop new radiopharmaceuticals for cancer treatment.

The Innovation and Science Fund (ISF) will receive $3 million in 2017-18, a decrease of 74% or $8.5 million since 2011-12 and a level that only covers some longer-term projects, leaving minimal funding for new awards. The ISF provides matching equipment and infrastructure funding from the Canada Foundation for Innovation (CFI). The reduced ISF appropriation means that there may not always be ISF funding to match awards made by CFI. This means that potential federal funding will be “left on the table” if other sources of matching funding cannot be found.

Similarly, the Mitacs program matches federal money with provincial contributions that are further matched by industry and the university. Reduced contributions to Mitacs from the Province means that in Saskatchewan federal and industry funding is “left on the table” rather than being fully exploited.

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The government deferred its residual commitment for the Canada Excellence Research Chair (CERC) in Water Security (chair ends September 2017), which is approximately $4.7 million of the $10 million commitment. The Global Institute for Food Security (GIFS) funded from the Ministry of Agriculture will receive $15 million over seven years by 2019-20.

The table below summarizes research highlights as well as resourcing requirements for the research projects noted in this document.

**Research highlight and related resources**

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<th>Research Highlight</th>
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*appropriation for all recipients
Capital Funding Requirements

The University of Saskatchewan is regularly cited as one of Canada’s most beautiful campuses. This heritage creates significant economic and cultural benefits for the province, including the attraction and retention of students, staff, faculty, and researchers from across Canada and around the world. We estimate that the campus contains over $5.5 billion in capital assets.

**Key Considerations:**
- The university requests **$13.8 million** in supplementary funding for facilities and **$23.6 million** of capital funding for 2018-19.
- The university’s base operating grant should include ongoing funding for the Collaborative Science Research Building of **$1.1 million** in 2018-19.
- Capital renewal remains a critical issue and a bond issuance is a cost-effective solution to the province’s reduced capacity to fund capital projects.

**Health Sciences – $9.7 million**
The Health Sciences project is in the last phase of construction. This building is critical to our ability to train students to become excellent health care professionals in Saskatchewan. Further to the Province’s April 2017 letter confirming its $21.1 million remaining commitment, $9.7 million of that amount is requested for 2018-19. For 2019-20, it is projected that $11.4 million will be required to complete the project.

**Supplementary Facilities Funding – $13.8 million**
In 2017-18, supplementary facilities funding of $14.4 million was provided. The University applied this funding to the costs of past capital borrowing. The university requests continued funding of $13.8 million for 2018-19, $13.5 million for 2019-20, and $12.7 million for 2020-21 based on estimated annual costs.

**Preventative Maintenance and Renewal (PMR) – $13.9 million**
The PMR request contributes to the maintenance of over five million square feet of space, as well as an aging IT infrastructure. A recent external review indicated the U of S should have a target of $48.3 million for annual investment in maintenance. In 2017-18, provincial funding for PMR was $13.2 million. Given the current fiscal environment, the university is requesting a modest increase of 5% ($13.9 million) to PMR funding. For 2019-20 and 2020-21, it is projected that provincial funding of $14.2 million and $14.5 million, respectively, will be required.

**Collaborative Science Research (CSR) - $1.1 million operating funding**
The CSR building will support collaborative and team-based research in the areas of life and natural sciences. It is estimated that substantial completion of the project will occur in April 2018. The university is requesting $1.1 million to be included in its base operating grant for 2018-19 to operate and maintain the new space of the CSR building. The Government of Canada has contributed $30.2 million towards this project as part of its Strategic Initiatives Fund (SIF). Additionally, many provinces contributed to the infrastructure projects for their local universities successful in securing SIF funding.

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7 From Sightlines study using 2016 data.
Critical Capital Renewal – Bond issuance

Over the past decade, the province has provided nearly half of the university’s capital funding. Despite these generous contributions, the current levels of funding cannot fully meet the renewal and replacement needs for campus infrastructure. As short-term provincial financial circumstances may preclude additional investment in critical capital renewal, the university continues to investigate alternative capital renewal funding strategies including borrowing by issuance of a long-term bond that would be repaid from the university’s operating budget.

Issuing a bond, as proposed, is an innovative and cost-effective solution to the increasing challenges of maintaining over $5.5 billion in capital assets at the University of Saskatchewan. This financing solution comes at no additional cost to the province. The risks associated with not proceeding with the critical capital renewal are substantially greater than the risks of the U of S accruing a reasonable amount of debt and capitalizing on historically low interest rates. The backlog of critical deferred maintenance on our campus is now $330 million. The university has reduced its request from $200 million to $90 million to reflect the latest capital renewal funding strategy. Since 2001, many top universities in Canada have undertaken this innovative approach to the financing of capital projects. Within the last year, four universities have issued securities in the debt capital markets totaling more than $570 million.
Mitigating Government Funding Reductions

Funding cuts imposed by the Government of Saskatchewan on the U of S in recent years have compromised our operations. In 2016-17, it was only due to higher than normal investment returns that we were able to maintain a balanced budget after government funding reductions of 2.3% including mid-year reductions. In 2017-18, we are projecting a $38 million deficit because of the most recent funding cuts of 5.6%, along with the redirection of $20 million from our base operating grant to the CoM. As a result, we are suspending select academic programs, developing expense reduction strategies, reducing scholarship funding, and cutting funding to colleges and units. Alternative revenue generating strategies are also being developed. All of these measures will take significant time and resources to enact, and for proceeds to be realized. Effects on academic programming, student support, scholarships, accessibility, research capacity and contributions to the province’s economy will be notable. Such actions are required in order to sustain our operations and to find a new financial equilibrium. Our funding request for 2018-19 is modest and realistic, but reflects these unprecedented cuts in provincial government funding.

Impacts of Funding Reductions

In addition to significant reductions to our base grant, the Government of Saskatchewan has withdrawn or deferred existing commitments and for two consecutive years has imposed mid-year reductions after our internal budgets had already been set. This withdrawal of support has resulted in instability in our operations and uncertainly in our financial position, which, in turn, undermines our ability to plan. The situation is further compounded by cuts that were communicated as being temporary but have not been reinstated.

The university’s 2017-18 budget resulted in average reductions of 5% to colleges and schools (excluding the CoM and WCVM), 3% to support centers, and significant reductions to central and strategic funds. The ability of colleges and units to absorb government funding reductions in one year is limited. Rapid reductions in central expenses (e.g. utilities, licences, pension payments) are similarly difficult to achieve. The province’s decision not to separately fund the 2% increase in WCVM further reduces our ability to balance the budget. In short, there is only so much that can be achieved in a single year.

Management is proposing a $38.6 million deficit in the operating budget for 2017-18, which is approximately double the budgeted deficit in 2016-17. The 2017-18 proposed budget deficit is made up of three parts:

- $8 million relates to planned allocations greater than current revenues. This is a direct consequence of the greater than 5% reduction in the provincial operating grant;
- $20 million relates to the funding that has been communicated as being redirected to the CoM from our core operating grant;
- $10.6 million of the budget is being set aside to fund one-time expenses (such as severance costs) of transition activity to support cost containment strategies.

Reserve balances in centrally managed funds (includes ICT network and utilities, program review and institutional survey funds, collective bargaining funding) were reviewed in detail and all uncommitted funds were repurposed into the central operating reserve. Therefore, there are no contingency funds available centrally to capitalize on arising opportunities or deal with emerging threats.
The $20 million reduction to the CoM in the 2015-16 budget was communicated by the government to the university as a one-time measure. But it was not reinstated in 2016-17. Instead, in 2017-18 the government redirected $20 million from the university’s base operating grant to the CoM as targeted funding. This is in total a $60 million reduction to our operations. Just one $20 million reduction to the university represents about 6% of our annual operating grant, and the equivalent of over 120 faculty positions or 230 staff. Put another way, this $20 million cut (which is on top of a 5.6% reduction to base) is the equivalent of the operating grant funding for the Colleges of Agriculture and Kinesiology combined. Based on the understanding that the $20 million hold-back was temporary, the College of Medicine mitigated the impact to operations through use of fund balances. Those are now exhausted.

The shortfall in funding for the CoM, combined with the redirection of $20 million from the operating budget, has created unhealthy tensions within the university. Everyone is being asked to do with less, but there is a perception that the university as a whole is being made to suffer for the benefit of a single college. The idea, contained in public exchanges and some correspondence, that reserves in other colleges might be repurposed for the benefit of the CoM adds to feelings of mistrust.

There have been further negative ramifications of the 2017-18 Saskatchewan Provincial Budget for our capital commitments, due to changes in PST. The 2017 Saskatchewan budget imposed a rate of 6% PST to be applied to labour for construction of new projects. This will increase the costs on the remaining component of the Health Sciences building. This tax increase will also require the university to revisit the original budgets of all our other approved capital projects to determine the financial feasibility of proceeding with construction.

From our students’ perspective, the elimination of the tuition tax credit goes well beyond anything they might have expected for increases to the cost of PSE. Nor did the government give any notice to students or families so that they could plan. For example, the elimination of the tuition and education tax credit results in approximately $4,275 increased costs to an Arts and Science student over four years. This is equivalent to 16% of a full-time Arts and Science student’s tuition. Whereas over a four year period the cost of their degree could be expected to increase by about $1,000, or by about 4% as a result of tuition increases. Coupled with the reduced scholarship funding from the province the elimination of the tuition tax credit will have implications for accessibility and affordability of education.

Financial Forecast for 2018-19
For this 2018-19 operations forecast, the Ministry of Advanced Education asked us to address two potential funding scenarios: a 0% economic increase, or a 2% reduction. Meanwhile, inflation rates in Saskatchewan are projected to increase at rates of about 1.6 to 1.8% CPI. In contrast to these instructions, in its spring 2017 provincial outlook, the Conference Board of Canada forecasts real GDP for Saskatchewan at second highest in the country at 2.5% for 2017. The request to provide details of another reduction budget suggests that despite a growing economy, the Government of Saskatchewan is contemplating a continued disinvestment in post-secondary education. For potential students, faculty,

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and research partners, this disinvestment strategy sends a signal that the province’s only research-intensive, U15, university is not a key part of the province’s growth plan. This poses a real threat to the economic viability of the province and contradicts the emphasis on innovation as a key feature of the province’s Plan For Growth.

Either of the scenarios that the university has been asked to model will have negative repercussions for both the university and the province. Inside the university, our expenses continue to increase at rates of about 2.5% annually, after considering all the funding reductions we have enacted. Inflation rates at universities are higher than CPI inflation rates, as we offer a different basket of goods than those measured by CPI. Even if provincial funding were to increase at the rate of CPI-calculated inflation, further expenditure reductions would still be needed in order to balance our budget. Under a 0% economic increase to our base operating funding, we would expect to continue to reduce services, and funding allocations to colleges and administrative units. Our ability to weather another barrage of funding reductions will now also be hampered by our rapidly decreasing funding balances.

Holding everything else constant, the impact of 0% creates a $12.5 million gap annually in our operating budget. This gap is equivalent to approximately 75 faculty or nearly 150 staff. It is the amount of the operating budget of all three of our graduate schools and the College of Pharmacy and Nutrition combined. These challenges will be magnified if the $20 million that was removed from the university’s base grant in the 2017-18 budget, independent of the Saskatchewan Universities’ Funding Mechanism (SUFM), is not returned in the current year.

A further operating grant reduction of 2%, or approximately $6 million, would have a tremendously negative impact on the university’s ability to sustain our academic and research programs. This risk is exacerbated by the 5.6% (or $16 million) cuts experienced in 2017-18. A further 2% reduction is the equivalent of 35 faculty or 75 staff, and reflects the scope of the operating budget of the College of Law or all three graduate schools.

Furthermore, preliminary financial reserve figures for the general fund at 2016-17 year-end are $57.2M, a reduction of 50% over the 2016-17 fiscal year in combination with an approximate 2017-18 total operating fund budgeted deficit of $70M, financial reserves will be depleted by 2018-19. Further delays in the return of the $20 million in funding to our base grant will not be sustainable through the redirection of fund balances. We are currently in the process of absorbing $15 million by reducing allocations and related spending; an additional $20 million reduction will damage our ability to fulfill our teaching and research mission to the province. Regardless of impact, cuts of that magnitude require a multi-year period to enact as well as significant transition funding. Without the $20 million returned to our base grant, the deficit in our central operating reserves alone would be over $60 million by 2020-21.

**Finding a New Financial Equilibrium**
The U of S has historically responded to funding reductions by minimizing the impact to colleges. This is no longer possible. Operating budget adjustments have been undertaken since 2012-13 through workforce planning, faculty retirement incentive plans, changes in investment strategies, and changes in institutional practices, among other initiatives. To better equip ourselves to deal with financial instability
and to locate responsibility for budget decisions closer to teaching and research centres, we have adopted a version of Responsibility Centre Management (RCM).

RCM is a decentralized management approach whereby college and unit leaders are empowered to directly manage their budgets in alignment with their plans. An envelope of funding is provided annually to all units from the operating budget. The size of envelopes is determined using the Transparent Activity-Based Budget System (TABBS) and a consideration of the strategic role that each unit plays in the university’s overall institutional plan. Each unit then determines its own internal budget based on this envelope of funding, combined with its own revenue generation and cost control strategies.

RCM helps ensure budgetary accountability and prompts unit managers to revise plans based on the resources available. Central administration remains responsible for managing salary and benefits pressures and for pioneering other management techniques designed to reduce costs and improve service. Placing decision-making authority at the college or unit level reduces information gaps and improves outcomes. This decentralized management model allows the colleges to enact strategies that are attuned to their particular situations and academic strategies.

The proposed School of Architecture and Visual Art is one area where, despite significant reductions in funding, we are looking for ways to offer the programs and degrees that match the province’s growth trajectory and post-secondary educational and research needs. As program demand shifts, the RCM model adjusts its funding accordingly, but there are significant constraints to rapid resource shifts. In-course students must be allowed to finish; faculty are not readily redeployed, and new program approvals need scrutiny. The U of S is planning for growth in some areas, yet funding reductions force us to reduce support even where program demand continues.

The implications of moving to RCM are reflected in the preparation of a comprehensive operating budget, rather than the central operating budget. Colleges and schools have responded to funding reductions by budgeting an additional $46 million in deficits in 2017-18 which they will offset (in most cases other than the CoM) using rapidly depleting reserves. These college and school deficits are over and above the centrally budgeted deficit of $38.6 million. They can be managed in the short term, but all colleges, especially those such as Engineering and Agriculture and Bioresources that have substantial budgetary challenges, will need to embark immediately on structural reductions.

Of these projected deficits, the primary contributor is the CoM. The associated costs of the five-year accreditation restructuring plan are well in excess of the targeted funding provided by the province and by tuition funding. Under the original five-year plan, the CoM would have used its accumulated funds to bridge to its new cost structure so that additional funding would not have been required from government until 2018-19 or even 2019-20. However, the province’s holdbacks have accelerated this funding need. CoM will be in an accumulated deficit position of $40 million by 2018-19.
Summary of Funding Request for 2018-19

The U of S can no longer maintain the same quantity and quality of services with the financial resources currently available. College and school leaders will be supported in finding a new balance between their program offerings and available resources in every way possible. We will continue to look for alternative revenue sources and further opportunities to reduce costs. While reductions to student services and faculty and staff levels will be a last resort, the U of S is undergoing necessary analysis, negotiations and decision-making regarding reductions impacting both of these areas. Undertaking such structural changes will also incur significant one-time costs.

The CoM requires an increase in funding to sustain the faculty model outlined in The Way Forward. The absence of this funding, or any commitment to it, significantly increases the risk of not having an accredited medical school in the Province of Saskatchewan. Failure to achieve full accreditation will do significant damage to the reputation of the college, the university, and this government. If this were our first experience with accreditation challenges the situation would not be as dire, but our perceived inability or unwillingness to confront well-known problems sends a message that the funding partners are either indifferent or do not fully appreciate the gravity of the CoM’s challenges.

Status quo is no longer financially sustainable. Under the new funding levels that have been provided by the province, we are taking actions to reduce our institutional scope and size. Shrinking the U of S will likewise shrink the benefits we are able to provide to the people of Saskatchewan. We are not asking for the 5.6% reduction from 2017-18 to be reinstated, but we must receive the following to remain a financially viable university:

- Reinstatement of $20 million to our base funding for 2017-18, 2018-19, and going forward;
- Funding a sustainable CoM requires $15.3 million in on-going costs and $2 million to apply against the projected $40 million accumulated deficit;
- WCVM incremental funding of 2% is required to leverage in the inter-provincial agreement to ensure sustainable operations;
- Reinstatement of student support funding (SIOS) return to $2.1 million; and
- Continued support of our supplemental facilities of $13.8 million, capital of $23.6 million and noted research operations of $13.6 million.

To date, the U of S has been highly successful at delivering a broad array of high-quality programs in support of our medical-doctoral mandate. It has been our responsibility to provide those programs to people across the Province of Saskatchewan, not just the small catchment area that most Canadian universities serve. This mandate results in a disproportionate share of high-cost programs for a university of our size. The magnitude of operating funding reductions imposed by this government has placed our institution in a tenuous position. We are not afraid to rethink our programming or our priorities, but we are now on track to have a weaker university, and therefore a weaker Saskatchewan.

There is time to reverse this trajectory, but corrective action must be taken in the 2017-18 budget year.

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Appendix A: 2018-19 Operations forecast resource allocation

<table>
<thead>
<tr>
<th>Note</th>
<th>Preliminary Operations Forecast</th>
<th>Preliminary Operations Forecast</th>
<th>Preliminary Operations Forecast</th>
<th>Preliminary Operations Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board approved bdgt w/ minor restructuring</td>
<td>281,094 -8%</td>
<td>273,111 -4%</td>
<td>268,967 -0%</td>
<td>266,044 -0%</td>
</tr>
<tr>
<td>Provincial Grant less targeted below; includes SUFM shift projection</td>
<td>253,094 -6%</td>
<td>236,111 -1%</td>
<td>233,967 7%</td>
<td>232,955 7%</td>
</tr>
<tr>
<td>Grant reduction as communicated March 22 &amp; April 28/17 returned to base</td>
<td>20,000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit and Certificate Course Tuition less bad debt</td>
<td>122,972 -5%</td>
<td>128,478 6%</td>
<td>136,529 5%</td>
<td>144,402 5%</td>
</tr>
<tr>
<td>Income from Investments</td>
<td>21,236 -3%</td>
<td>20,536 -4%</td>
<td>17,219 2%</td>
<td>17,855 2%</td>
</tr>
<tr>
<td>Other Fees &amp; Miscellaneous Income</td>
<td>4,603 2%</td>
<td>4,807 3%</td>
<td>4,951 3%</td>
<td>5,057 2%</td>
</tr>
<tr>
<td>Sub-total non-targeted revenues</td>
<td>401,906 -8%</td>
<td>369,932 6%</td>
<td>392,666 2%</td>
<td>400,286 2%</td>
</tr>
<tr>
<td>CoM directed/targeted funding from AE (exc. lib. accrd.)</td>
<td>49,910 40%</td>
<td>69,878 28%</td>
<td>87,207 28%</td>
<td>87,207 28%</td>
</tr>
<tr>
<td>WVC directed from Province of SK (inc. shift impact)</td>
<td>9,862 0.1%</td>
<td>9,873 0.1%</td>
<td>9,884 0.1%</td>
<td>9,896 0.1%</td>
</tr>
<tr>
<td>Incremental Other Targeted- ICNGD and CERC</td>
<td>(1,019)</td>
<td>2,336</td>
<td>2,338</td>
<td>23,257</td>
</tr>
<tr>
<td>Other Government (WVCVM)</td>
<td>21,456 2%</td>
<td>21,916 2%</td>
<td>22,354 2%</td>
<td>22,801 2%</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>483,164 -2%</td>
<td>470,579 3.2%</td>
<td>514,448 1.6%</td>
<td>522,528 0.9%</td>
</tr>
<tr>
<td>College of Medicine Allocation (exc. lib. accrd)</td>
<td>57,382 27%</td>
<td>72,932 29%</td>
<td>90,816 1%</td>
<td>91,607 1%</td>
</tr>
<tr>
<td>College and Unit Allocations</td>
<td>336,409 -3%</td>
<td>325,438 -1%</td>
<td>323,698 1%</td>
<td>326,983 2%</td>
</tr>
<tr>
<td>Targeted Funding not inc'd in Other Allocations</td>
<td>2,516 100%</td>
<td>0</td>
<td>2,338</td>
<td>2,338</td>
</tr>
<tr>
<td>Envelope Funding to College and Units</td>
<td>386,307 0.5%</td>
<td>386,370 4.6%</td>
<td>416,851 1.0%</td>
<td>420,928 1.0%</td>
</tr>
<tr>
<td>Institutional Expenses</td>
<td>87,602 -4%</td>
<td>84,511 -1%</td>
<td>83,666 -1%</td>
<td>82,829 -1%</td>
</tr>
<tr>
<td>Reallocations and Investment Funds</td>
<td>16,564 -5%</td>
<td>15,728 0%</td>
<td>15,728 0%</td>
<td>15,728 0%</td>
</tr>
<tr>
<td>Transition to long-term savings costs</td>
<td>10,580 2%</td>
<td>12,000 2%</td>
<td>2,420</td>
<td></td>
</tr>
<tr>
<td>Allocations to Institutional Initiatives</td>
<td>104,165 6.4%</td>
<td>110,819 1%</td>
<td>111,394 0%</td>
<td>100,977 0%</td>
</tr>
<tr>
<td>Total Allocations</td>
<td>500,472 1.7%</td>
<td>509,189 3.7%</td>
<td>528,245 1.2%</td>
<td>521,905 0.2%</td>
</tr>
<tr>
<td>Annual Surplus / (deficit) - central operating budget</td>
<td>(17,309)</td>
<td>(38,609)</td>
<td>(13,796)</td>
<td>622</td>
</tr>
<tr>
<td>Central operating reserve</td>
<td>1,175</td>
<td>27,070 (11,539)</td>
<td>(25,335)</td>
<td>(24,713)</td>
</tr>
<tr>
<td>Board approved budget</td>
<td>(17,309)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preliminary variances from budget to year-end</td>
<td>30,044</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recall of central fund balances</td>
<td>12,260</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual activity if resource allocations match spending</td>
<td>(36,609)</td>
<td>(13,796)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected closing balance if no further actions</td>
<td>27,070 (11,539)</td>
<td>(23,335)</td>
<td>(24,115)</td>
<td>(20,201)</td>
</tr>
<tr>
<td>Projected closing balance with above actions</td>
<td>27,070 (2,039)</td>
<td>(13,835)</td>
<td>(11,713)</td>
<td>(6,201)</td>
</tr>
<tr>
<td>Internal loan for capital (HS and CRB)</td>
<td>(42,000)</td>
<td>2,000</td>
<td>2,000</td>
<td>2,000</td>
</tr>
</tbody>
</table>

Notes:
1. In addition to the grant level determined by the Province, our grant is impacted by the relationship of the activity within the Saskatchewan University’s Funding Mechanism. For the past three cycles the impact of the activity between UofS and UofR in the model has resulted in a reduction to the UofS. Last year it was over $1M, Sr. Mgmt. plans to take more direct action to offset these negative impacts, but with time lagged data and 5 year averages it will take time to see the results of immediate actions impact the grant.
2. The College of Medicine- $20M is restored in 2017-18 but no further growth funding was provided. In 2018-19 in addition to extensive cost reduction measures and revenue diversification, the amount required is $17.3M.
3. Two per cent projected escalation is shown for WVCVM as per the historical Inter-Provincial agreement. Negotiations involving the university, the Province of Sk. and the other provinces for increases for 2017/18 through 2021/22 are currently on-going and any future outcomes of these negotiations are not reflected in this forecast.
4. Since 2015/16 the directed funding for WVCVM from the Province of Saskatchewan has been funded from the core grants in lieu of any economic increase funding. In 2017/18-19 in addition to extensive cost reduction measures and revenue diversification, the amount required is $17.3M.
5. The 2018-19 projected revenue growth of 9.3% includes reinstatement of $20M, $17.3M incremental growth for CoM and $2.3M for Water Security CERC, when reinstatements and targeted funds are excluded revenue growth is 0.9%. Similarly, allocation growth in 2018-19 is 3.7% when flow through funding for CoM and CERC is included, otherwise it is a reduction of 0.1% from prior year.
6. Includes annual budget for approved and distributed one-time funds for institutional research commitments, such as funds committed to SKPPOR, GIFS and Water CERC.
7. Budgeted one-time costs for cost containment strategies such as voluntary exit and other restructuring initiatives aimed to achieve long-term savings.
8. $17.3M deficit reflects the June 2016 board approved budget. Year-end preliminary variances that will impact this figure are ~$30M, primarily from investment income and to a lesser extent unbudgeted tuition growth and under budget central lapsing expenses.
9. Board approved internal loans in Fall 2016 for Collaborative Research Building and Academic Health Sciences. Loans are a call on all fund balances, not just central reserves, but central risk if other balances can not cover.
Appendix B: 2018-19 Operations forecast in letter format

2018-19 operations Forecast - in detailed schedule of funding format (Appendix B of the gov't letter/voting process)

### Institutional Planning and Assessment

<table>
<thead>
<tr>
<th>Operating Funding</th>
<th>Per June letter (exc. mid year reductions)</th>
<th>Per March 22 letter and subsequent communications</th>
<th>0% as required with specific commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2016-17</td>
<td>2017-18</td>
<td>2018-19</td>
</tr>
<tr>
<td>Prior year Funding base incl. prior year targeted funding</td>
<td>315,524,800</td>
<td>312,866,204</td>
<td>294,842,900</td>
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<tr>
<td>Funding economic adjustment</td>
<td>0</td>
<td>(15,746,414)</td>
<td>0</td>
</tr>
<tr>
<td>WCVM per IP agreement</td>
<td>153,200</td>
<td>156,261</td>
<td>159,386</td>
</tr>
<tr>
<td>WCVM 5% offset impact</td>
<td>(15,746,414)</td>
<td>(15,746,414)</td>
<td>(35,810)</td>
</tr>
<tr>
<td>WCVM related SUFM shift</td>
<td>(108,765)</td>
<td>(110,246)</td>
<td>(112,451)</td>
</tr>
<tr>
<td>SUFM shift</td>
<td>(888,235)</td>
<td>(1,249,785)</td>
<td>(1,124,807)</td>
</tr>
<tr>
<td>Operating offset</td>
<td>20,000,000</td>
<td>(20,000,000)</td>
<td>20,000,000</td>
</tr>
<tr>
<td>Restoration to base grant</td>
<td>tbd</td>
<td>tbd</td>
<td></td>
</tr>
<tr>
<td>College of Medicine restoration</td>
<td>(20,000,000)</td>
<td>0</td>
<td>17,328,638</td>
</tr>
<tr>
<td>College of Medicine growth plan - provincial gov't share</td>
<td>(1,072,870)</td>
<td>(1,072,870)</td>
<td></td>
</tr>
<tr>
<td>ICNGD</td>
<td>(1,815,000)</td>
<td>(1,072,870)</td>
<td>(5,800,000)</td>
</tr>
<tr>
<td>CERC in Water Security deferral</td>
<td>(1,815,000)</td>
<td>(1,072,870)</td>
<td>(2,337,500)</td>
</tr>
<tr>
<td>Rounding adjustment per gov't letter</td>
<td>-</td>
<td>(250)</td>
<td></td>
</tr>
<tr>
<td><strong>Operating Funding</strong></td>
<td>312,866,000</td>
<td>294,842,900</td>
<td>333,395,357</td>
</tr>
<tr>
<td>Innovation &amp; International Scholarship</td>
<td>1,246,800</td>
<td>769,900</td>
<td>1,246,800</td>
</tr>
<tr>
<td>Opportunity Scholarship</td>
<td>860,000</td>
<td>531,100</td>
<td>860,000</td>
</tr>
<tr>
<td><strong>Other Operating Funding</strong></td>
<td>2,106,800</td>
<td>1,301,000</td>
<td>2,106,800</td>
</tr>
<tr>
<td><strong>Other supplemental funding- facilities</strong></td>
<td>14,600,000</td>
<td>14,400,000</td>
<td>13,816,000</td>
</tr>
<tr>
<td>Health Sciences Capital</td>
<td>13,226,000</td>
<td>13,226,000</td>
<td>13,900,000</td>
</tr>
<tr>
<td>Preventative maintenance and renewal</td>
<td>13,226,000</td>
<td>13,226,000</td>
<td>9,700,000</td>
</tr>
<tr>
<td><strong>Capital Funding</strong></td>
<td>13,226,000</td>
<td>13,226,000</td>
<td>23,600,000</td>
</tr>
<tr>
<td><strong>Total Operating and Capital Funding</strong></td>
<td>342,798,800</td>
<td>323,769,900</td>
<td>372,918,157</td>
</tr>
<tr>
<td><strong>Innovation Saskatchewan Operating Funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VIDO</td>
<td>3,500,000</td>
<td>3,500,000</td>
<td>3,500,000</td>
</tr>
<tr>
<td>InterVac</td>
<td>2,131,000</td>
<td>2,131,000</td>
<td>2,131,000</td>
</tr>
<tr>
<td>CLS</td>
<td>4,100,000</td>
<td>4,100,000</td>
<td>5,800,000</td>
</tr>
<tr>
<td>Cyclotron operating funding</td>
<td>1,000,000</td>
<td>1,000,000</td>
<td>2,200,000</td>
</tr>
<tr>
<td>Fedoruk Center</td>
<td>4,000,000</td>
<td>2,700,000</td>
<td>tbd</td>
</tr>
<tr>
<td>ISF</td>
<td>4,000,000</td>
<td>3,000,000</td>
<td>tbd</td>
</tr>
<tr>
<td><strong>Innovation Saskatchewan Funding</strong></td>
<td>18,731,000</td>
<td>16,431,000</td>
<td>13,631,000</td>
</tr>
<tr>
<td><strong>Other Ministries Previously Committed Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Global Inst. For Food Security (Ministry of Agriculture)</td>
<td>2,000,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Provincial Funding Notes:

1. In recent history the 2% IP agreement funding from the Province of Sk has been reduced to an incremental $46k (was $228k in 2015-16). 2018-19 ask is 2% plus investment for sustainable programming as per IP agreement.
2. Includes a projection on the SUFM shift assuming minor reduction of negative impact from 2017/18.
3. Outstanding commitment of $4.675M is spread evenly over two years for purpose of this forecast. Seven year timeframe of project commitment is complete.
5. $30.7M is the 5 year requirement. Annual requirement for 2018-19 is noted as $5.8M.
6. Annual operating costs of the cyclotron production facility. Discussions required regarding potential repurposing of the residual grant funds.
7. ISF funding amount noted is appropriation for all recipients.
8. $2M is requested to meet the commitment of $15M over seven years by 2019-20.
Appendix C: Preliminary financial statement fund balances

The financial reserves policy identifies all general fund balances as: designated funds; restricted externally by contractual obligation; internally, for specific commitments; or reserve funds. The Financial Reserves Policy, implemented in 2015/16 ensures financial reserves held across the university are appropriate, transparent, and well managed.

According to the policy, for the university as a whole (academic and administrative units) reserve levels are set at 1.5% - 6% of total university expenses. Consolidated expenses for 2015-16 are $0.97 million as per the audited financial statements. The level of university reserves is therefore expected to be between $14 million and $58 million. At April 30, 2017, the preliminary financial reserves are shown below.

![ Accumulated Fund Balances - General Fund PRELIMINARY April 30, 2017 (in $thousands) ]

<table>
<thead>
<tr>
<th></th>
<th>Designated Funds</th>
<th>Financial Reserves</th>
<th>% of Total Expenditures</th>
<th>Total General Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Academic Units</strong></td>
<td>51,414</td>
<td>57,466</td>
<td></td>
<td>108,880</td>
</tr>
<tr>
<td><strong>Non-academic Units</strong></td>
<td>13,075</td>
<td>6,065</td>
<td></td>
<td>19,140</td>
</tr>
<tr>
<td><strong>Institutional Activities</strong></td>
<td>(20,306)</td>
<td>(6,359)</td>
<td></td>
<td>(26,665)</td>
</tr>
<tr>
<td><strong>Total April 30, 2017</strong></td>
<td>44,183</td>
<td>57,200</td>
<td>6%</td>
<td>101,383</td>
</tr>
<tr>
<td><strong>Total April 30, 2016</strong></td>
<td>56,825</td>
<td>112,279</td>
<td>12%</td>
<td>169,104</td>
</tr>
<tr>
<td><strong>Total April 30, 2015</strong></td>
<td>64,810</td>
<td>244,440</td>
<td>27%</td>
<td>308,250</td>
</tr>
<tr>
<td><strong>Total April 30, 2014</strong></td>
<td>60,278</td>
<td>206,350</td>
<td>24%</td>
<td>268,628</td>
</tr>
<tr>
<td><strong>Total April 30, 2013</strong></td>
<td>33,087</td>
<td>183,488</td>
<td>22%</td>
<td>216,575</td>
</tr>
</tbody>
</table>

The reduction from prior year reserve levels of 12% to 6% indicates that reserves have been drawn down in 2016-17 to address fiscal constraints. This level of reserves is below the U15 median level of reserve balances, which is 10%.

Designated funds include both individually identified internal projects as well as projects where external restrictions apply such as donor funds, professional development funds, SWAPS, subsidiaries and future employee benefits. Similarly, financial reserves include revenue for risk reserves, academic opportunities, and operating, ancillary as well as other activities including fee-for service, non-credit instruction and events and non-restricted external activity.
Appendix D: Funding relative to other provinces

When reviewing higher education funding across Canada over the past three years, Saskatchewan is the only province to see increasing negative annual reductions since 2015-16. In the figure below, provincial funding for PSE is based on allocations excluding student financial aid, training/apprenticeship, and capital expenditures made to colleges and universities from ministries of advanced education or similar bodies within each province.¹¹

¹¹ The year-to-year percentage changes is obtained from each province’s budget estimates.
Providing further context, the annual percentage changes in provincial government funding across Canada in 2017-18 are shown in the illustration below, along with the province’s budgeted surplus/deficit for 2017-18. While surpluses and deficits vary across the country, only Saskatchewan and Newfoundland have experienced reductions in government funding.