

Frequently Asked Questions: U of S Operating budget 2017-18

Timeline:

- In March, the provincial government announced a 5.6 per cent reduction in the University of Saskatchewan's base operating grant. This translates to an \$18-million reduction in the operating budget.
- At the same time, government directed us to remove \$20 million from the base grant and redirect it to cover the funding shortfall in the College of Medicine, further reducing the amount the university could use as operating funding across the institution.
- While we had been planning for a difficult budget, and had even undertaken some restructuring to reduce administrative costs, we could not have predicted a cut of this magnitude.
- Since March, we have eliminated some programs and initiatives, have taken steps to reduce the workforce through both incentives and layoffs through re-organization, and now are reducing senior salaries and spending our fund reserves to an extremely low level; the deficit budget allows us to consider other options from a strategic as well as a budget standpoint.
- At its June 19-20 meeting, the U of S Board of Governors approved the university's operating budget that will run a deficit in 2017-18, an unusual practice relative to our financial history.

How much is the deficit?

The Board of Governors approved a comprehensive budget that includes a deficit of \$16.7 million for the 2017-2018 year. The pressure on the central operating budget, which funds the university's annual expenses, is more than \$30 million.

Approving a deficit budget at this stage gives us time to make strategic, deliberate decisions in the months ahead that will align with our vision and our service to the province, and find sustainable answers to the serious financial challenge we currently face.

Why run a deficit in your operating budget instead of taking from your reserves? What are the reserves used for then, if not this?

We have drawn on our reserves to manage previous budget pressures, so our reserves have been significantly reduced, and, as we have always said, this is not a sustainable solution.



Our reserves are earmarked for a variety of purposes: to manage financial changes, as we have been doing; to fund projects over a number of years; and often to match funding investments from the federal government, which has invested significantly where we are aligned with its research and innovation priorities. Reserves also allow us to react more quickly to a variety of significant opportunities.

However, our reserves are now at levels that fall below best practice and are no longer a viable option to manage reductions in funding of this magnitude.

What else is the university doing to manage this financial situation?

The university already had moved forward on several initiatives to address the sudden contraction of its budget, including the closure of the International Centre for Northern Governance and Development—whose budget was eliminated by the province—and the offer of voluntary buyout packages to staff members.

Other initiatives are planned, including the reduction salaries and benefits of 75 senior leaders.

We will need help from all members of our community, our partners and our stakeholders to find solutions and think about how we can do things differently.

We'll consider various types of reorganization for continued efficiencies; you have seen some of these decisions already.

We will seek alternative revenue sources, such as donor support, as well as possibly expanding enrolment where feasible.

Does reducing senior salaries and spending your reserves balance your budget?

No. In fact, senior salaries are just a fraction of our operating budget, and our reserves are in the recommended range of between 1.5 and six per cent of our budget. Our reserves will be all but depleted as we move forward.

Is this due to the government's request that all public administrators take a 3.5 per cent salary cut?

No. The university has committed to looking at all options for addressing budget challenges. The cuts to senior leadership compensation and benefits have been determined based on the university's priorities and principles, not on any directive from external parties.



What is the cost savings from them taking these salary reductions?

This is not just about salary reductions, but also benefits, bonuses and merit. Different members of the organization are being affected by this measure differently. At this point, we are still calculating a specific figure, as we continue to work through the details and what the resulting savings will be. Overall, we are reducing senior salaries by two to five per cent.

The university's executive team has not received an increment in pay for the past six years. The deans have not received an increment for the past three years.

How many people have taken the voluntary buyouts? How much money will that save?

At this point, about 40 people have applied, but the deadline for applications is the end of June, so that number may grow. We will not know the cost savings until we can work through the applications, and we will provide more information at that time.

How can the university possibly avoid layoffs when facing such a large deficit?

We will try to avoid involuntary layoffs, but everything is on the table. However, there are many other options to be considered. Layoffs are not the only solution related to salary expenses. Salaries and benefits do make up a large part of our expenses (about 70 per cent), and this is why you see measures such as the voluntary buyout offer and the senior leader rollbacks.

What else needs to be done?

We are considering all options and we will need help from all members of our community, our stakeholders and our partners to find solutions.

Colleges and administrative units all are making difficult decisions related to the budgets that they manage. Obviously, everything is on the table: personnel changes, programmatic decisions, organizational changes.

We also are considering every option to increase revenue from other sources.

When will the additional budget-reduction decisions be made?



Our new institutional strategic plan should be complete in the fall. All the colleges and schools will need to align their decisions with the strategic plan, taking into account the budget reductions. We expect all of the college plans to be in before the end of the year.

Will tuition go up to reduce the deficit?

Tuition for 2017-18 is already set and will not change. Beyond that, as we have said, every option must be considered. Tuition rates for 2018-29 have not been established. Tuition is an important source of revenue. However, we will do everything we can to protect the affordability, and accessibility, to our university.

Is this level of funding what you can expect from government going forward?

We continue to have discussions with the provincial government and work closely with them as our largest funding partner. We are quite concerned, because there has been a downward trend in our operating grant in the past few years.

How will you keep dealing with cuts to your funding year after year?

As we make budget decisions for this year, they will carry forward to coming years and help us be more financially sustainable. We're always exploring alternative sources of funding, and will continue to do so.

Does this affect the College of Medicine and their accreditation if the university is no longer receiving the necessary level of government funding?

A funding deficit could, in fact, affect the college's accreditation. The accreditation process assesses the level of provincial funding for the college as a factor. We are doing everything we can do as a university to ensure that we meet accreditation standards, knowing that the level of provincial funding for the college will be considered in the process. Meeting the accreditation standards remains one of our top priorities, and we are expecting our next accreditation visit in the fall, when we will learn more.

Will students see a difference in programming because of the cost-reduction measures?

Any measures we take to address this financial shortfall must not jeopardize the student experience. Our goal is that any decisions reached to address funding shortfalls will also be strategic in nature. We



need to take the time to ensure that this is the case. Having the extra time to find solutions will make this much easier than slashing without regard to consequences.

Is this essentially the start of Transform US 2?

No. This budget has put enormous stress on us, but because we have managed our budget well over the past many years, this is not a financial crisis. We knew this would be a difficult budget, although we could not have predicted the significant size of the reduction, and we had been planning accordingly.

We are not evaluating all programs at the institutional level. Our new budget model mandates that program decisions be made at the college level, which is where they are managed.

Approving the deficit budget is not a long-term solution, but it will provide us with the necessary time to find strategic, sustainable answers to the serious financial challenge we currently face.