

# Advocacy Matters: Provincial Budget 2022

Friday, March 4, 2022

This year, installments of *Advocacy Matters* have been unpacking the *Alberta 2030* project to thoroughly transform public post-secondary education in Alberta. The Government of Alberta *Budget 2022*, released on Thursday, February 24, is an important milestone in the implementation of AB 2030. Details include a fourth cycle of operating funding cuts for post-secondary institutions (including Mount Royal), a shift to targeted funding of government-funded priority areas and student aid tied to students' program choices, less-affordable education for students overall, and pressure to continue raising enrolments and faculty workloads while suppressing costs.

A summary of key implications of Alberta Budget 2022 for post-secondary education follows.

## Summary of Key Points

- Overall, a multi-year project of deep cuts to post-secondary institution operating funding continues—close to 20% before accounting for inflation and enrolment growth—over the current provincial government's term. In Budget 2022 MRU is receiving its fourth consecutive cut: a 1.9% cut to its operating grant for 2022-2023
- Institutions continue to be repositioned to rely primarily on “own-source” revenue—especially tuition revenue from a combination of rising enrolments and rising tuition rates—all while suppressing costs (e.g., suppressing faculty salaries and intensifying deep structural reliance on precarious employment practices). Among others, rising enrolments in the context of funding cuts have implications for workload and the quality of education
- PSE affordability continues to decline for students, including through ongoing rapid annual increases in tuition and an overall erosion in student aid funding levels. Some of the previously cut student aid dollars are being reintroduced in the form of bursaries for low-income learners who enroll in government-approved programs, beginning the implementation of the government's previously signaled interest in more closely tying student aid to government and private-sector priorities
- In an increasingly funding-constrained environment, institutions will be expected to compete for limited, targeted funds supporting government-approved program areas, all while a growing proportion of our (already declining) base operating funding will be “at risk” should government-set performance targets (e.g., around post-graduation employment) not be met
- Implementation of the Alberta 2030 plan for PSE continues. This prioritizes research commercialization and the alignment of programs with markets, while constraining institutional autonomy, shared governance, academic freedom, and students' educational freedom

## Context: 2019 to 2022 and Ongoing Trends

- This is the fourth budget of the current provincial government, with another anticipated in early 2023 prior to the spring election
- The Alberta government has previously signaled an intent to cut 20% from PSE funding over the course of its current term and to incentivize institutions to increase reliance on tuition and other own-source revenue, such that overall public spending per student FTE (full-time equivalent)

falls. This changes the ways in which institutions (and students) are exposed and respond to markets, economic risks and shocks, external pressures, and private interests

- The Alberta government is in the process of implementing its Alberta 2030 plan, which aims to transform PSE such that it is more strongly aligned with markets and private sector wants, especially via program realignment and research commercialization. Among other components, Alberta 2030 includes significant legislative changes to PSE system governance and the rollout of performance-based funding through investment management agreements (IMAs). The latter strongly incentivize institutional compliance with the government's economic priorities, with up to 40% of (already shrinking) operating funding being "at risk" should government-set performance targets not be met
- Since 2019, tuition has been allowed to increase in institutional aggregate by 7% / year, while employers have been subject to secret provincial mandates for faculty and staff bargaining. These mandates are for cuts to employee pay in real if not nominal dollars, thus allowing institutions to mitigate the cost of funding cuts and allowing greater flexibility in internally redirecting resources (including revenue resulting from higher enrolments and higher tuition) to other "strategic" priorities

#### General Observations about Budget 2022 Pillars and Accompanying Narratives

- The introduction of the flagship "Alberta at Work" initiative
  - Discourses: shaping investment climate (e.g., through fiscal policy and deregulation); creating pathways to jobs, including through education and retraining. PSE as supporting the economy. Education as workforce development. Student tuition as personal investment
  - Highly integrated with the Alberta 2030 plan for PSE, including but not only through:
    - Targeted program funding (see below)
    - Program-labour-market alignment
    - Micro-credentials
  - Beyond the targeted program funding summarized below, note also some institution-specific targeted funding (including capital spending) of programs and facilities (e.g., veterinary medicine expansion at U of C)
- Continued implementation of the Alberta 2030 plan for PSE. Themes include:
  - Strengthening alignment of programs with employer wants; intensified responsiveness to labour markets
  - Targeting increased enrolments, both domestic and international
  - Strengthening alignment of research commercialization with provincial economic priorities
  - Freedom to "innovate" and "compete"
    - The goal of "competition" appears to be that institutions are expected to compete for tuition dollars (international and domestic) and for access to limited, targeted program funding (see below)
  - A "return-on-investment" discourse: the expectation to increase performance (e.g., enrolment growth and post-graduation employment rates for increasingly market-aligned programs) while controlling cost

- Continued development of IMAs to incentivize institutional progress and to hold institutions accountable

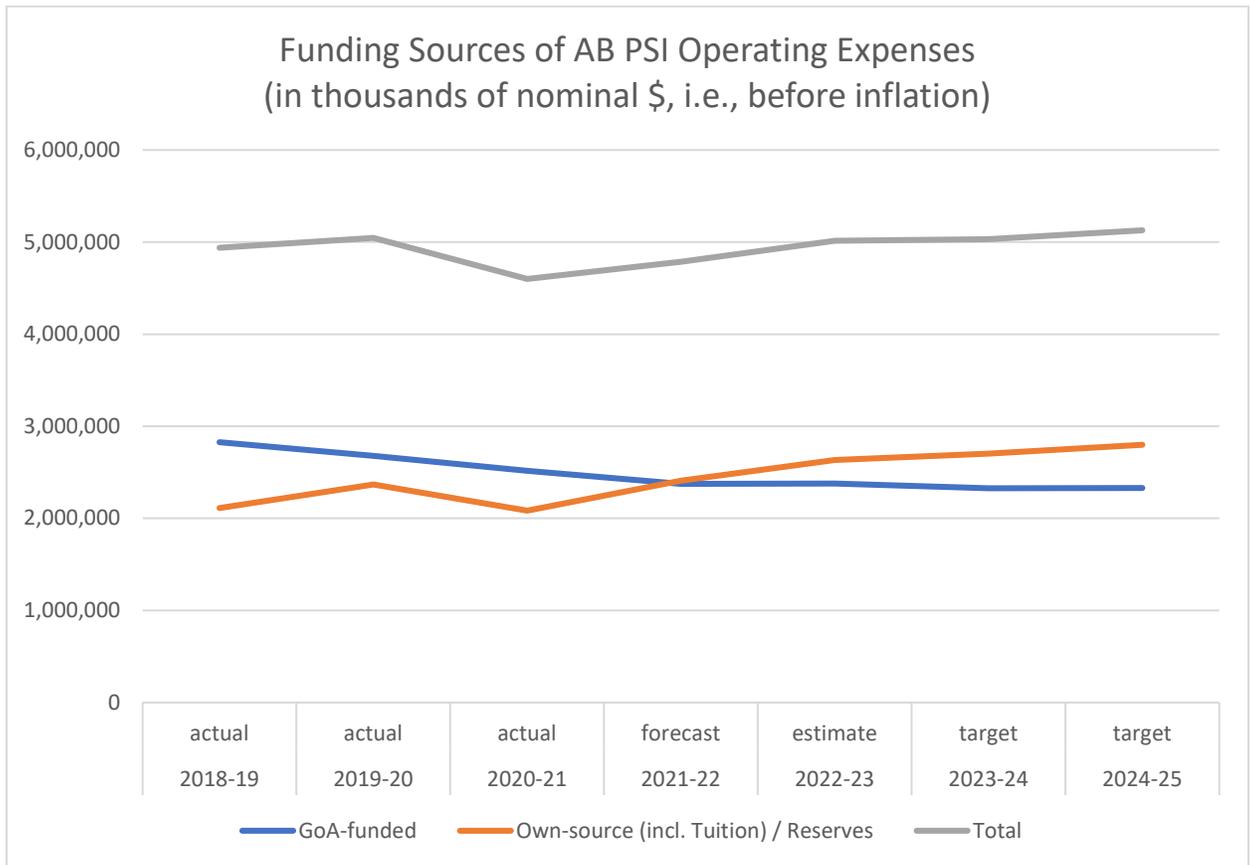
## Programs

- \$171M over three years in targeted funding to expand enrolment (7,000 seats) in government-identified areas with “skills shortages” (defined as labour market demand + enrolment pressure)
  - This is being promoted as a historic investment in PSE. However, this only partially offsets the operating funding cut over the four budgets (and counting) and, significantly, reintroduces it in *targeted* form
  - In the Ministry’s three-year business plan, this government initiative is explicitly linked to an employment-post-graduation performance metric
  - Identified areas: high tech (CS, IT, data modelling), finance and financial technology, energy (engineering, etc.), health care, agriculture, aviation
  - This targeted funding is being held in a separate envelope from base institutional operating funding. There does not appear to be any guarantee that, should an institution access targeted program funding, this funding will be added to base so that it is available on a more permanent basis. Priority funding areas are almost certain to change in subsequent years
- Other targeted spending promises potentially relevant to universities, and to MRU specifically, include:
  - \$8M over two years to fund skills training through micro-credentials
  - \$6M over three years to support work integrated learning placements
  - (Another \$30M for enhancing “apprenticeship programs and opportunities” may not be relevant to MRU due to the absence of apprenticeship programs, although the available descriptions are somewhat unclear)

## Enrolment, Tuition, and Revenue

- Performance metric: domestic enrolments (to increase), while provincial operating funding per-FTE-student is to decrease
- The indication is that the GoA will continue to allow institutions to raise tuition by 7% / year in institutional aggregate
- Overall, institutions are expected to achieve greater revenue from both tuition and other own-source funding and reserves
  - Operating expense funded by the GoA is set to fall from \$2,516M (actual) in 2020-2021 to \$2,327M (target) in 2024-2025 – a decline of approximately 8% (avg. 1.9% / year) before inflation and enrolment growth
    - The change from 2021-2022 (forecast) to 2022-2023 (estimate) appears to be small (a very slight growth). However, if the budget 2022 estimate includes the new targeted funding then cuts to base institutional operating funding can be expected. Indeed, MRU is receiving a 1.9% cut to its base operating grant in Budget 2022 and other Alberta PSIs have also announced cuts
  - Operating expense funded by tuition and other own-source funding and reserves over the same period is expected to grow from \$2,084M to \$2,799M – an increase of 34.3% (avg. 7.7% / year)

- Overall, operating expense over the same period is expected to grow from \$4,600M to \$5,128M – an increase of 11.5% (avg. 2.8% / year)
- The above represents a shift in PSI revenue over the same period from 55% GoA-funded to 45% GoA-funded
- Revenue from ancillary activities (sales/rentals/services) has been significantly lower during the pandemic. Interestingly, government targets show these growing through 2025 but not quite recovering, in fact, to pre-pandemic levels. This may be an oversight on the government’s part. In any case, revenues are expected to increase significantly, but the clear majority of this increase is born by a 57% increase in tuition revenues by 2024-2025 over 2018-2019 levels



(Source: Government of Alberta budget documents for 2020, 2021, and 2022)

**Student Aid**

- Budget documents state there will be \$12M over three years in additional funding of existing scholarships
  - Student aid expenses in 2018-2019 were \$233M. Budget 2022 estimates \$228M in 2022-2023, with a target of \$244M by 2024-2025. If funding levels kept pace with inflation since 2018-2019, the 2024-2025 target would be at least \$262M – a nearly \$20M eventual annual shortfall compared to the current 2024-2025 target

- \$15M over three years for new bursaries for low-income students in qualified high-demand programs
  - This advances the goals previously signaled by the government of beginning to align student aid with enrolment in government-favoured programs
  - Like for the partial restoration of operating funding, student aid is being reintroduced in targeted fashion in order to incentivize student program choice

#### Capital spending at MRU

- MRU is to get \$50M over two years for repurposing existing facilities
- Faculty cannot expect that administration and the Board of Governors will jeopardize this funding (or jeopardize upcoming competition for limited, targeted program funding dollars) by critiquing or opposing public PSE policy, even if they were privately concerned about it