Alberta Budget 2023: Implications for Post-Secondary Education and Mount Royal University

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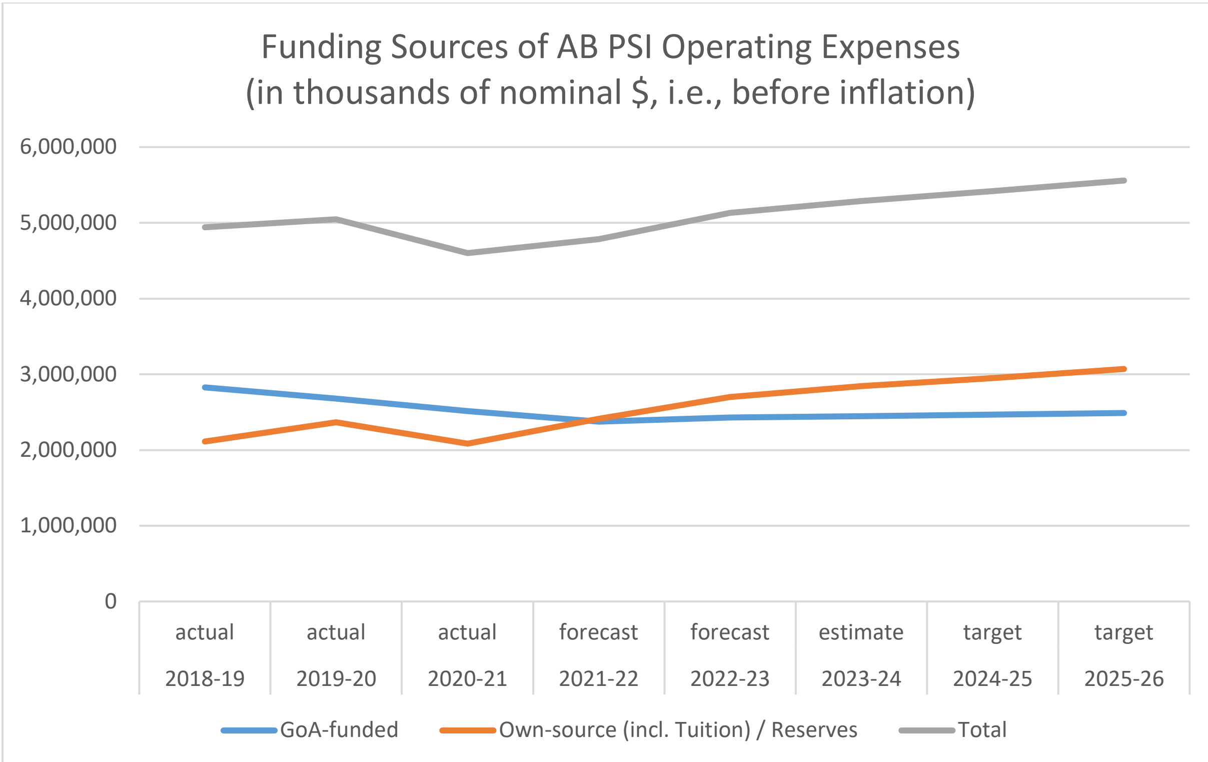
Summary of Key Points

- Institution operating funding for 2023-24 is budgeted at $2.45B, compared to a 2022-23 forecasted actual of $2.43B. This means almost no change in nominal dollars and a cut in real dollars
  - The budget emphasizes that there will be a (modest) increase in institutional operating expense budgets, but this increase is in fact required to come from institutions' "own-source" revenue (see below)
  - Overall, a multi-year project of deep cuts to post-secondary institution operating funding has resulted in a 13% cut to operating funding over 2018-19 actuals (i.e., accumulated throughout the current government's term)–higher when accounting for inflation and enrolment growth. Where a small amount of funding has reappeared, this has exclusively been through small, targeted envelopes of limited-term (three-year) operating funding earmarked for supporting enrolment growth in a small number of government-identified priority areas
- The government's explicit plan is that institutions must shift to rely more on "own-source" revenue (for the province in aggregate, the government-funded proportion of operating expenses is to fall to 45%, compared to 57% in 2018-19; note that MRU's proportion has historically been smaller but MRU has still been subjected to cuts over recent budgets). In large part, this means replacing public operating funding with tuition fee revenue achieved through a combination of higher enrolments and higher fee rates, such that overall public spending per student FTE (full-time equivalent) will continue to fall
  - These pressures will also likely result in continued downward pressure on costs (e.g., supressing faculty salaries and intensifying deep structural reliance on precarious employment practices). Among others issues, rising enrolments in the context of funding cuts has implications for workload intensity and the quality of the learning environment
  - This shift changes the ways in which institutions (and students) are exposed and respond to markets, economic risks and shocks, external pressures, and private interests
- PSE affordability continues to decline for students, including because of ongoing rapid annual increases in tuition. Whereas previously cut student aid dollars have reappeared over the past year, these are being reintroduced in the form of bursaries for low-income learners who enroll in government-approved programs, therefore advancing the government's previously signaled interest in more closely tying student aid to government and private-sector priorities. Although student aid has increased by 28% over 2018-2019 actuals, overall this is not sufficient to keep

pace with tuition fee and enrolment growth (institutional revenues from tuition are expected to be 41% higher over the same period). Note also that student aid funding is targeted to be reduced after 2024

  - The government has announced that, starting in 2024-25, tuition will be frozen at 2% (following four years of rapid increases amounting to about 30% overall). There is no indication that this will be accompanied by an inflationary backfill to operating grants in years where the CPI exceeds 2%, creating the possibility that institutional revenues will be further eroded in such years

- Implementation of the Alberta 2030 plan for PSE continues. This aims to transform PSE such that it is more strongly aligned with markets and private sector wants, especially via program realignment and research commercialization, while constraining institutional autonomy, shared governance, academic freedom, and students' educational freedom
  - In an increasingly funding-constrained environment, the expectation continues that institutions will compete for limited, targeted funds supporting government-approved program areas, all while 40% of their remaining base operating funding will be "at risk" should government-set performance targets not be met (e.g., around post-graduation employment rates and whether post-graduation employment is in the graduate's program area)
- Budget narratives include themes of:
  - The need for PSE to develop Alberta's workforce in service of the economy, such that a "talent pipeline" feeds the "evolving needs of the labour market"
  - "Value for money" rhetoric, meaning expanded program-market alignment and alignment of public funding with government-identified priority areas, including as assured through investment management agreements between the Ministry and institutions' boards of governors
  - The need for institutions to engage in "revenue generation"
- Other noteworthy elements of the budget include intensified international student recruitment, a focus on the high-school-to-PSE transition rate, the presence of workforce pathways for high-school and PSE students, and discontinuation of Covid-19 recovery plan funding



Source: Alberta's Budget Documents through Budget 2023

Commentary on Government-identified Highlights Especially Relevant to PSE and MRU

Emphasis on public spending restraint

- Balanced budgets in a low-tax (esp. low corporate tax) environment
    - (Note: balanced budgets and therefore program spending rely extremely heavily on resource royalty revenues, which are currently at historically high levels and represent a major component of Alberta's revenue mix but which are also highly volatile)
- Spending restraint, with cost increases to be limited to inflation and population growth
- Surpluses, when they arise, are only to be used for debt repayment, one-time initiatives, and possibly (modest) Heritage Fund deposits
    - Debt-to-GDP ratio to be held below 30% (currently 10.2% in 2023-24)

Emphasis on public support for the private sector

- Including through:
    - Initiatives to maintain low corporate taxes and attract investment
    - Workforce development initiatives that align education with private sector labour market wants
        - E.g., $111 in targeted funding over three years ($37M/year x3) to support targeted PSE enrolment expansion in government-identified "highest demand" sectors (e.g., non-trade construction, energy, technology, and business)

        - E.g., $6M in targeted funding over three years ($2M/year x3) to develop a Bachelor of Aviation program at MRU
    - Supports for government-identified sectors and industries in the name of economic diversification
        - (Note: despite a rhetorical diversification theme, provincial finances continue to be strongly organized around the oil and gas industry and resource royalty revenue)
- Some other areas of focus: addressing shortage of health care workers; infrastructure spending (incl. broadband); support, including capital spending, for veterinary medicine (U of C) and a new business building (MacEwan); aviation; petrochemicals; aboriginal business investment; technology sector; rural tourism; film, television, and media

Some (limited) initiatives to address cost-of-living concerns

- Including for PSE students:
    - Implementing a 2% cap on tuition fee increases for 2024-25 and beyond
        - (Note: tuition fees will already have increased by at about 30% over 2018-19 levels by 2023-24)
        - (Note: seemingly without inflationary backfill to operating grants in years where inflation exceeds 2%)
    - Largely focused on student loan repayment
        - (Note: instead of reducing the need for debt-financed education)
        - Reducing Alberta student loan interest rates to prime
        - Extending the grace period for Alberta student loan repayment (from 6 to 12 months)
        - Increasing the Repayment Assistance Plan qualification threshold (from $25k to $40k of income)

Focus on health care system capacity

- Including funding to recruit more internationally educated physicians and nurses via bridging programs
- Including student aid funding for “return to service” bursaries

Capital Spending Notes

- At MRU:
    - $35M for repurposing of existing facilities over the next two years (2023-24 and 2024-25; nothing projected for 2025-26)
    - $2.1M for aviation capital (nothing projected beyond 2023-24)
- $149.2M for capital maintenance and renewal across the AB PSE sector in 2023-24, falling to $118.5M by 2025-26
- Other large noteworthy capital funding: SAIT John Ware Redevelopment ($16.4M), U of C veterinary medicine expansion ($21.4M), new MacEwan School of Business building ($35M beginning in 2024-25)