

## **Alberta budget, 2011-12 – ‘Building a Better Alberta’**

Total budgeted program (ie. operating + capital) expenditure by the AET Ministry for 2011-12 is cut to \$3 billion, which represents an overall reduction of \$320 million (or 9.6%) from the 2010-11 forecast. The reduction is explained by the big decline in capital grants this year as major capital projects near completion.

Within the AET budget, total operating support this year will reach \$2.8 billion, which is an increase of \$34 million (or 1.2%) from the 2010-11 forecast, while capital support is reduced to \$251 million, including \$107 million for capital maintenance and renewal.

Support for Adult Learning will increase to \$2.4 billion in 2011-12. This includes more than \$2 billion in operating grants to post-secondary institutions, an increase of nearly \$62 million over last year. However, base operating funding to the institutions will remain at last year’s levels.

Of the \$62 million increase, about \$31 million ‘will be used to address collaborative initiatives between institutions and the operating costs of new facilities’ – that is, lights-on money. Lights-on costs are determined at a standard rate, so big-ticket projects like the U of A’s CCIS will eat up the lion’s share of this money. Since operating costs are continuing, we would expect this funding to be rolled into the base grants in future years.

A further \$31 million is allocated to a new program, Campus Alberta Innovations, designed to address enrolment growth and strategic initiatives in priority research areas. The breakdown here includes \$20 million for new hires at institutions facing the biggest increases in enrolment – these include colleges like NorQuest, Bow Valley and Northern Lakes (to which the unemployed are apparently flocking). Another \$6 million is earmarked for hiring researchers in areas ‘aligned with provincial priorities’ - that is, health, engineering, the environment, etc. (No mention of the humanities or social sciences, of course.) In addition, about \$4 million will be available for ‘special projects’ – including Minister Horner’s pet e-textbook initiative.

The \$85 million the institutions got last year from Alberta Health to train more doctors and nurses turns out to have been one-time money. So the official line is going to be that what might look like a cut, really isn’t, since the program was never intended to continue. (Which makes no sense, of course, and illustrates perfectly the need for stable, predictable, multi-year funding.)

Student Financial Assistance will increase to \$199 million this year, in addition to the \$267 million made available for student loans. One notable change is to the Loan Relief Completion Payment, which reduces the debt of students when they leave full-time studies. As of August 1, 2011, ‘these payments will only be made to those students who complete the final year of a program,’ which is expected to save \$33 million in 2011-12.

The AET Spending Plan also contains an announcement that the Access to the Future Fund will suspend payments to PSE institutions for two years, 2011-12 and 2012-13, at a savings of some \$90 million. The AFF is the endowment fund the government draws on to match private donations made to PSE institutions. The government had indicated that the \$90 million will not be diverted to other uses, such as operating grants, but will remain in the AFF endowment ‘with payments planned to resume in 2013-14.’ (The two-year hiatus, which will raise questions about the future of the AFF, can be explained by the requirement that the increase in the overall spending of the Alberta government - which includes any payouts from the AFF - should not exceed the rate of inflation + population growth. AET had to do its bit, and something had to give.) It remains to be seen how the suspension of matching funds will affect donations to post-

secondary institutions going forward. There is already a huge backlog (in excess of \$700 million, by some calculations) in demands on a relatively modest (\$1 billion) endowment.

Finally, it's worth noting that this year's budget contains a relatively modest \$16 million increase in funding for the government's research and innovation initiatives, which will receive a total of \$251 million in 2011-12. This includes \$202 million in operating support for the four Alberta Innovates corporations (with AI-Technology Futures set to receive the largest increase among the four). How this will affect the level of research grants in the coming year remains to be seen.

Overall, all things considered, PSE probably did as well as could be expected in the budget, given the current fiscal and political climate. (Other sectors certainly took bigger hits, though Health got another increase.) While the freeze on new capital spending could have been predicted, it's the continuing flatline on post-secondary base operating grants that is most worrisome. Though the extra enrolment funding and lights-on money may help ease the pressure at some institutions, there is no question that this budget will translate into cuts on the frontlines at our universities in the coming year.