



2009/10 Budget Development Framework

This framework document has been prepared to assist the College in the development of a balanced operating budget for the 2009/10 fiscal year. It is intended to help inform and guide the process of consultation, planning and decision-making that will be involved in developing the operating budget for next year.

The first draft of this document was published on October 27, 2008. During the months of November and December 2008, the contents were reviewed and discussed in many forums and with many groups including: the College Board; Education Council; Management Team, Faculty Association, PPWC Executive, CNC Student Union, and at Campus Town Hall, department, division, and program meetings. Feedback received during the course of this consultation process has been reflected in this second draft of the framework.

A final 2009/10 Budget Development Framework will be approved by the College Board at its January 30, 2009 meeting.

a. Status Report

In developing the operating budget for the current 2008/09 year, the College was faced with the combined challenges of: addressing unavoidable cost increases totaling approximately \$1.2 million; a 2.6 percent funding reduction (-\$686,000) to the provincial block operating grant from the Ministry of Advanced Education; and, projected decreases in tuition and other revenues based on negative patterns of enrolment in University Transfer and Business programs. These factors compounded and required the College to implement decisions to suspend instructional programs, to reduce some course offerings, eliminate administrative positions and decrease student services (e.g. Athletics).

In order to lessen the negative impacts on students, employees and the College's communities, the College Board decided to use \$250,000 of the "restricted fund balance" (prior years' surplus) to offset a projected deficit in the 2008/09 operating fund. In addition, the College's normal annual operating capital equipment allocation (\$470,000) was reduced to \$400,000 in order to fund the continuation of instructional programming.

As outcomes of the labour adjustment processes provided for by the College's collective agreements with the Faculty Association and Pulp and Paper Workers of Canada (PPWC), Local 29, a number of decisions were made to reallocate workloads resulting in the rescinding of some employee layoffs. As a result of these decisions some of the projected "savings" in the 2008/09 budget have not been achieved and are being absorbed by previously unassigned contingency funds.

In developing plans for a balanced 2009/10 operating budget, the College will begin the process with a "shortfall" (as described above) carried forward from 2008/09. The 2008/09 Government Letter of Expectations (GLE) dated June 2, 2008 and the 2009/10 Ministry of Advanced Education funding projection that it contains, does not provide for a general increase in funding to CNC that could be used to offset unavoidable costs increases (e.g. escalation of energy costs, employee salary step increments, changes to program lengths/curriculum, position reclassifications, additional software licensing, etc.).

In the budget planning process for 2009/10, it will therefore be necessary and prudent to develop budget plans for "status quo", "desired/requested" and "worst case" levels of funding/revenue. The following table summarizes these operating funding/revenue scenarios (compared to the 2008/09 GLE projection for 2009/10) and provides an estimate of the potential College's budget shortfall or "deficit" that would result.

As of January 30, 2009 , the College has not received any definitive information from the Ministry of Advanced Education regarding the 2009/10 operating grant funding. Informal indications from Ministry officials suggest that that a “status quo funding scenario” is a likely possibility.

<u>2009/10 “Status Quo”</u>	<u>“Desired/Requested”</u>	<u>“Worst Case”</u>
\$0 additional funding for cost increases	incr. of +\$1,000,000 for cost increases	-2.6% reduction to 2008/09 funding
\$0 additional funding for programming	incr. of +\$940,000 for programming	= reduction of \$-703,066
Estimate shortfall = \$ -1,100,000	Balanced budget / no shortfall	Estimate shortfall = \$- 1,803,000

Both the “Status Quo” and “Worst Case” funding/revenue scenarios would create major challenges for the College. In the event that either of these occur, reductions to programs and services, as well as structural changes to the college’s administrative and student service operations will be necessary in order to achieve a balanced budget for 2009/10.

The timing of provincial budget decisions, and the communication of confirmed funding levels to the Colleges (in mid-to-late March 2009) does not allow time to adequately prepare for any changes to the expenditure plan (for a fiscal year which begins April 1) that might become necessary due to an unpleasant “surprise” emanating from the provincial budget (as occurred in March 2008). Therefore, our advocacy and government relations efforts must and will continue at the regional and provincial levels over the next few months. Through these activities, CNC and other colleges are seeking the necessary increased provincial funding to both sustain current activities and to increase programs and services in 2009/10 (to the “desired/requested” funding level scenario).

In the absence of certainty regarding 2009/10 provincial funding levels, the College will have to be prepared with “what if” contingency plans. It will be necessary to consider and develop options for both reducing expenditures and increasing revenues from sources other than the provincial government.

The following draft sections of this document provide additional information regarding the 2009/10 budget development process, and are intended to support the creation and consideration of options (through a transparent and consultative process) for achieving a balanced budget in the unhappy event the “status quo” or “worst case” scenarios become reality in March 2009.

b. Timeline and Process

This section outlines the key milestone dates and activities currently planned for in the 2009/10 budget development process.

c. Context Information

Key facts regarding college finance (revenues, costs, expenditures) are provided in this section.

d. Other Planning Assumptions

A number of issues related to government policy and the funding of the post-secondary education system are listed in this section.

e. Guiding Principles and Decision-making Considerations

This section outlines both foundational ideas (principles) regarding the budget process and the considerations that when finalized will be used to assess potential budget decisions. The validity and appropriateness of these principles and considerations will be the subject of discussion and debate during the review this document.

b. Timeline and Process

<u>DATE</u>	<u>EVENT / MILESTONE</u>
October 24	College Board Meeting Preliminary review/discussion of first draft of the 2009/10 Budget Development Framework document. a. Status Report b. Timeline and Process c. Context Information d. Other Planning Assumptions e. Guiding Principles / Decision-making Considerations
October 27	Publication of 1 st draft 2009/10 Budget Development Framework document to college web site
October 27, 29, 30 November 3,4,5,12	Town Hall Meetings – Prince George Campus Town Hall Meetings – Regional Campuses
October 28, 29, November 6	Preliminary Consultation Meetings with Unions (FACNC, PPWC, CNCSU) re 2009/10 Budget Development Framework
November 10	1 st Draft (Preliminary) Status Quo 2009/10 Budget completed
November 18	College Management Team Meeting Education Council Meeting Preliminary review/discussion of draft 2009/10 Budget Development Framework document: a. Status Report b. Timeline and Process c. Context Information d. Other Planning Assumptions e. Guiding Principles / Decision-making Considerations
November 28	College Board Meeting
December 3-19	2 nd round of Consultation Meetings with Unions (FACNC, PPWC, CNCSU) re 2009/10 Budget Development Framework
December 22 - January 5, 2009	Christmas Holiday Period
January 19, 2009	2 nd Draft of Budget 2009/10
January 20, 2009	College Management Team Meeting Education Council Meeting - Further educational input into the 2009/10 Budget Framework
January 22	Board Executive Meeting with ALMD Minister Coell, local MLAs

January 29/30	College Board Meeting - Approval of 2009/10 Budget Development Framework
February 2-28	"College Finance101" Presentation Sessions
February 3	E-mail Update Report/Memo to "All at CNC" re budget and funding
February 3-6	Meetings with FACNC and PPWC
February 9-13, 16-18	Campus Town Hall Meetings re update on budget development
February 17	B.C. Provincial 2009/10 Budget tabled in Legislature
February 18	3rd Draft of 2009/10 College Budget completed
February 20	Meeting of provincial college Board Chairs and Presidents with Minister of Advanced Education
February 24	Education Council Meeting
Friday, February 27	College Board Budget Meeting (In-camera) - review of options/recommendations for budget - decisions and approvals to issue layoff notices (if required)
March 2	Meetings with Faculty Association & PPWC re preliminary budget decisions
March 10	Public/media Communications re Program/Services impacts and preliminary budget decisions Special Education Council Meeting re preliminary budget decisions
March 11-31	Consultation Meetings of FACNC, PPWC, Administration re impacts - layoff meetings/notices issued if required
March 16-20	Confirmation of 2009/10 funding from Ministry
March 24	Education Council Meeting
March 25, 6:30pm	Public Forum/Consultation Meeting re preliminary budget decisions
March 27	College Board Meeting
March 31	Fiscal Year 2008/09 Ends
April 21	Education Council Meeting
Friday, May 1	College Board Meeting - 2009/10 Budget Approval

c. Context Information

- i. The College of New Caledonia is a vital resource for the people of the Central Interior region. CNC is contributing greatly to the economic prosperity, quality of life and health of the communities it serves.
- ii. In 2009/10, CNC must receive a significant increase in operating funding from the Ministry of Advanced Education (e.g. \$1.0 million) in order to just deal with unavoidable cost increases. These cost pressures are comprised primarily of: employee salary step increments; regularization of positions; utility cost escalation; benefit cost increases; changes to position duties; and, software and licensing fees.
- iii. CNC receives approximately 73 percent of its revenue from the provincial government through the Ministry of Advanced Education operating grant and the Industry Training Authority's Training Plan funding.
- iv. Student tuition and other fees account for 16 percent of the College's total revenues. This proportion is far lower than the proportion generated by the special purpose teaching universities (32%), and large urban colleges (26%).
- v. The remaining 11 percent of revenues are generated through and "special and temporary programs" (Continuing Education and Contract Services).
- vi. Seventy-nine percent of CNC's expenditures are for employee salaries and benefits. Supplies, services and other expenses total 21 percent of the budget.
- vii. In 2007/08, the College's Actual Full-time Equivalent (FTE) Enrolments across all campuses and programs totaled 3439 (AVED = 2179 and ITA = 1260). Sixty-seven percent of the actual AVED funded program student FTE enrolments were delivered at the Prince George campus, and approximately 1/3 of the FTEs (32.7%) were delivered at the regional campuses.
- viii. CNC's tuition rates are the second lowest in the province and are 15 percent below the provincial average for the 12 colleges and institutes.
- ix. The Ministry of Advanced Education has not provided a general increase in funding to the College system to assist in defraying additional inflationary costs in the past 15 years.
- x. The increased costs in 2009/10 associated with general wage increases for all employees will be funded by the provincial government. However, additional funding will not be provided for costs associated with employee progression on salary scales (annual salary step increments).
- xi. In recent years, all new FTE student funding allocations to the colleges have been tied to new program delivery (e.g. Medical Laboratory Technology) or the expansion of existing high demand programs (e.g. Trades and Nursing programs).
- xii. There have been increases in funding for special initiatives (e.g. Aboriginal programs) and for the maintenance of facilities (Annual Capital Allowance).

d. Other Planning Assumptions

i. Balanced Budget Required – Base and Targeted Funding

Colleges are required by legislation to submit a balanced budget each year to the Ministry of Advanced Education (AVED). Allocation of funding to CNC and other colleges is provided predominantly by the Ministry of Advanced Education through a block funding mechanism. Funding is also allocated and monitored through other ministries and government agencies; such as the Industry Training Authority (ITA), for trades training, and the Ministry of Health for health programs. Targeted funding is also received for initiatives such as Aboriginal education and services. Targeted funding has specific accountability measures and reporting functions and is separate and additional to block funding

The ITA Training Plan process ties funding to individual course sections and student seats, and as a result, if courses are not offered, the funding must be reallocated to other ITA eligible course offerings or must be returned to the ITA. Therefore, reallocating funding provided by the ITA is not a strategy to balance a budget shortfall across the College's operating budget.

Programs, services and administrative supports to be assessed in terms of balancing the 2009/10 budget must be those funded within the Ministry of Advanced Education's base block funding process.

ii. Budget Shortfall

As of January 5, 2009 it is not known with certainty whether the College will experience a 2009/10 budget shortfall. Whether this occurs and as a consequence whether it will be necessary to suspend some programs and/or services will depend on a combination of changes to provincial grant funding that may occur in 2008/09 or in support of the 2009/10 college operations.

iii. Difficult Choices Between Programs/Services

It may be necessary to make choices between programs and services that are all valuable. In some cases there may be no "right" choices or decisions, and as a result this will be a difficult process.

iv. Government Priorities

The provincial and federal governments will continue to establish targeted funding initiatives for post-secondary education and economic development/diversification. The provincial government's priorities will likely continue to focus on skilled trades, health care and aboriginal learners.

Temporary and special funding for "retraining" of people who are unemployed will likely be increased as part of the provincial and federal governments' responses to the economic downturn and higher unemployment levels in 2009/10.

v. College Positioning for Opportunities

The College must continue to position itself to capitalize on opportunities to secure funding that becomes available through targeted initiatives of both the provincial and federal governments.

vi. Economy and Enrolment

In the coming year, the regional, provincial and global economic situations will likely cause higher unemployment levels, and as a consequence will likely lead to increased student enrolment in developmental, university transfer, career and vocational programs in 2009/10 across all campuses.

The regional economic trends will lead to continued enrolment increases, community pressures and expectations on the regional campuses. In 2007/08, regional campus full-time equivalent (FTE) student enrolments increased significantly (approximately 300 FTE).

vii. Review of College Funding Model

The Ministry of Advanced Education's review of the College System Funding Model is not expected to result in a major increase in base block funding that will help to resolve the college systems' structural deficits.

viii. FTE Utilization Rate

The FTE student enrolment "utilization" rate is a ratio of the actual FTE students enrolled in a program divided by the total funded FTE (available program seats). For example if there are 16 students enrolled in program "X" and the total available seats in the program is 20, then the FTE utilization rate is 16/20 or 80 percent.

The utilization rate is one of the primary accountability measurement tools used by the Ministry of Advanced Education (AVED) and the Industry Training Authority (ITA). As was the case in 2007/08 and 2008/09, both ITA and AVED will use FTE utilization rates for targeted and priority programs as a factor in decisions related to the allocation of growth funding to the colleges.

Without additional funding to offset cost increases, it will not be possible for the College to maintain the overall 2007/08 FTE utilization rate for all AVED funded programs at 71.9 percent in 2008/09 or 2009/10.

ix. Enrolment Capacity

The College's actual FTE student enrolment capacity for AVED base funded program is approximately 2200 students. This total funded capacity is declining as a result of inflation and unavoidable cost increases that are not balanced by equivalent increases to college revenues.

x. Provincial Tuition Policy

The Provincial Government's policy of limiting tuition fee increases to the rate of inflation (approximately 2%) will continue for 2009/10.

xi. Accountability Requirements

New provincial funding will come with expectations for higher performance and accountability reporting requirements.

e. Guiding Principles

- i. In making decisions to reduce our expenditures, we will apply to the extent possible the “Budget Decision-making Considerations” outlined in this document.
- ii. In making decisions for 2009/10, we must also look ahead to 2010/11 and beyond. We will not postpone dealing with the projected budget deficit this year, and therefore compound the size of next year’s potential financial problem.
- iii. We will achieve a balanced budget and the required expenditure reductions while seeking to limit the impact on students and on college employees.
- iv. In order to maintain the quality of programs and services, budget reductions will be targeted rather than proportionally balanced across the entire college.
- v. In 2009/10, we will not close any of the regional campuses (Quesnel, Mackenzie, Lakes District, Nechako).
- vi. The College will maintain a comprehensive range of programming which includes course offerings in each of the following major categories: academic; career/technical; vocational, and developmental education.
- vii. In general, College decisions to undertake new and additional programs and services will be based on expectations that funding/revenues will balance the full costs associated with providing the new program or service. Strategic reallocations of resources in response to community needs and changes in student demand may also provide opportunities to introduce new programs and services.

The following factors will be considered collectively in assessing potential budget reduction decisions.

Student Demand

- a. *For instructional programs, what is the ratio of actual full-time equivalent student enrolment (FTEs) to the total student seats available (capacity)?*
- b. *Is the recent and/or projected enrolment trend positive (up), stable or negative (down)?*
- c. *For student services, what is the recent year(s) level(s) of actual student utilization of the service?*

Cost-effectiveness and Total Cost

- a. *What is the total cost (\$) per actual FTE student enrolled or student utilizing the service?*
- b. *What is the total cost of the program/service?*
- c. *How does the total cost of the program/service compare relative to the 2009/10 projected budget shortfall? (e.g. What percentage does the total program/service cost represent of the projected budget shortfall?)*

Numbers of Students and Employees Impacted

How many students and college employees would be impacted?

Availability Elsewhere

Is the program/service available to students through avenues other than at CNC? (e.g. at other institutions, via on-line/distance education or through other community service providers)

Program/Service Outcomes

Is there evidence that the program/service is achieving important student outcomes (employment, transfer, other)?

Economic and/or Social Impact within the College Region

Is there evidence that the program/service is meeting an important community social or economic need?

Interdependencies

- a. *Are other CNC programs and services heavily dependent on the program/service in question?*
- b. *Are other external (institutions and agency) programs and services heavily dependent on the program/service in question?*

Future Delivery Potential

If a program/service is suspended, what would be the key factors facilitating or inhibiting it being restarted in the future?

Could the program/service in question be delivered again (restarted in the future) with relative ease after a period of suspension?

Relationship Consequences

- a. *To what extent would a decision to suspend the program/service have negative political or community relations consequences?*
- b. *Is the program/service currently regarded as a high government or community priority?*

Total Net Impact on Budget

What is the total net expenditure reduction that would result in 2009/10 and 2010/11?