

2011/12 Budget Development Framework

This framework document has been prepared to assist the College in the development of the operating budget for the 2011/12 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.

During the months of December 2010 and January 2011 this draft document was reviewed and discussed by: the College Board; Education Council; Management Team, Faculty Association, and the Canadian Union of Public Employees Local 4951 Executive. Feedback received during the course of this consultation process has been used in the preparation this proposed final 2011/12 Budget Development Framework for approval by the College Board.

a. Status Report

The College's approved 2010/11 budget is available on the College Board Governors website here: <http://tinyurl.com/2999onn> (March 26, 2010 meeting minutes, pages 12 - 19). For reference the College's Audited Financial Statements for the Fiscal Year ending March 31, 2010 are also available at: <http://tinyurl.com/28z52ww> (June 16, 2010 meeting minutes, pages 8 - 38). The Provincial Government Letter of Expectations (GLE), 2010/11 for the College of New Caledonia also available in the June 16, 2010 Board of Governors Meeting Minutes (pages 40-44).

The 2010/11 operating budget as approved by the College Board of Governors projected a deficit (\$197,000) for the year which was to be offset by an allocation from the "Internal Restricted Fund Balance". As of November 24, 2010 based on the College's budget forecast of revenues and expenditures we can project that the planned for deficit will be erased and a small operating fund surplus will result as of March 31, 2011. This is possible because a portion of the \$300,000 "contingency" set aside to offset a potential decline in tuition and other revenues will not be needed.

Information regarding the College's 2010/11 to 2012/13 base operating grant funding from the provincial government is available on the Ministry website at: <http://tinyurl.com/27r55rq>. A few key issues regarding CNC's funding for 2011/12 are:

- 1) the only net increase over the current year (2010/11) will be additional targeted funding (\$153,425) for the introduction of the new Medical Radiography Technology program;
- 2) The Annual Capital Allowance (ACA) funding is expected to remain at the 2010/11 level of \$374,697, which was a \$1,065,931 reduction to the level of funding provided in 2008/09;
- 3) The Aboriginal Services Plan (ASP) funding of \$400,000 which we have received in each of the past three years, will be discontinued for 2011/12; and,
- 4) There is a possibility that the Industry Training Authority (ITA) Training Plan funding will be reduced across the province by 10 percent, and the implications of this for CNC may not be known until later in the Spring of 2011.

As of January 20, a second draft expenditure plan for the 2011/12 budget has been completed. While it is still early in the budget development process, and there are many details to be evaluated and finalized over the next few months, the current draft budget would result in an operating fund deficit/shortfall of approximately \$1.8 million (if nothing were changed).

This operating fund budget shortfall is a result of many factors including the funding issues noted above. As well, on an annual basis the College experiences a variety of unavoidable higher costs and spending pressures that include: faculty and administrative employee salary step increments; “regularization” of faculty positions; changes to staff and administrative employee position descriptions; utility cost escalations; health and pension cost increases; new and higher software licensing and maintenance fees; as well as the “annualized” cost of new initiatives begun part way through the previous fiscal year.

In order to reduce and/or eliminate the operating fund budget shortfall it will be necessary to develop, evaluate and implement a number of strategies and options. One key strategy used successfully in the past, and already in progress for 2011/12 is to make available a limited number of one-time “early retirement incentives” and “voluntary severance” payments to full-time regular employees, who will not be replaced in the following year by a new “regular” or full-time employee. A variety of other strategies to reduce expenditures will also need to be considered.

The following sections of this document provide additional information regarding the 2011/12 budget development process, and are intended to support the creation and consideration of options (through a transparent and consultative process).

b. Timeline and Process

This section outlines the key milestone dates and activities currently planned for in the 2011/12 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 has been the subject of discussion during the review this document.

b. Timeline and Process

<u>DATE</u>	<u>EVENT / MILESTONE</u>
November 25	1 st Draft (Preliminary) Status Quo 2011/12 Budget Completed
November 26	College Board Meeting Preliminary review/discussion of first draft of the 2011/12 Budget Development Framework document. <ul style="list-style-type: none"> a. Status Report b. Timeline and Process c. Context Information d. Other Planning Assumptions e. Guiding Principles / Decision-making Considerations
December 3-7, 2010	College Executive meetings with budget administrators re 2011/12 draft budget
December 29, 2010	Publication of 1 st draft 2011/12 Budget Development Framework document
December 25 - January 3	Holiday Period
January 10-14, 2011	Preliminary Consultation Meetings with Unions (FACNC, CUPE) re 2011/12 Budget
January 15 - February 15	" <i>College Finance 101</i> " Presentation Sessions
January 18	College Management Team Meeting Education Council Meeting - Further input into the 2011/12 Budget Framework
January 20	2 nd Draft of Budget 2011/12
January 28	College Board Meeting - Approval of 2011/12 Budget Development Framework
January 31	E-mail Update to "All at CNC" re Budget 2011/12 Publication of Final 2011/12 Budget Development Framework
February 15	B.C. Provincial 2011/12 Budget tabled in Legislature

February 22	3rd Draft of 2011/12 College Budget completed
February TBA	Board Executive Meeting with Government MLAs
Friday, February 25	College Board Budget Meeting (In-camera) <ul style="list-style-type: none"> - review of options/recommendations for budget - decisions and approvals to issue layoff notices (if required)
Monday, February 28	Meetings with Faculty Association & CUPE re preliminary budget decisions
March 1-14	Meetings of FACNC, CUPE, Administration re impacts <ul style="list-style-type: none"> - layoff meetings/notices issued if required
March 14	Internal and public/media communications re preliminary 2011/12 budget decisions and program/service impacts
March 15	Education Council Meeting
March 21-25	Confirmation of 2011/12 funding from Ministry
March 24	Public Forum/Consultation Meeting
March 25	College Board Meeting
March 31	Fiscal Year 2010/11 Ends
Friday, April 29	College Board Meeting <ul style="list-style-type: none"> - 2011/12 Budget Approval

c. Context Information

- i. The College of New Caledonia is a vital resource for the people of the North and Central Interior region. CNC is contributing greatly to the economic recovery, prosperity, quality of life and health of the communities it serves.
- ii. CNC is making the best possible use of the resources it receives – over the past seven years the College has extensively re-allocated resources to meet new and changing program and service needs, and to address inflationary cost pressures.
- iii. If additional funding is not provided, some reduction to programs and services that are currently in high demand by students and employers will be necessary in order to balance the College’s operating budget. As a result, CNC’s abilities to provide access to needed training and educational opportunities and to support regional economic changes will be diminished.
- iv. CNC receives approximately 74 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.
- v. Student tuition fees account for approximately 15 percent of CNC’s revenue. This proportion is far lower than the proportion generated by the special purpose teaching universities (32%), and large urban colleges (26%).
- vi. CNC’s tuition rates are the second lowest in the province and are 15 percent below the weighted provincial average for the colleges.
- vii. 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).
- viii. Approximately, 78 percent of the Colleges expenditures are allocated to employee salary and benefit costs. “Other” expenses represent about 20 percent of total expenditures annually.

d. Other Planning Assumptions

i. Balanced Budget Requirement – Base and Targeted Funding

Colleges are required by legislation to submit a balanced budget each year to the Ministry responsible for colleges. Exceptions to the balanced budget requirement may occur with prior approval of the Minister of a “deficit management plan”. Allocation of funding to CNC and other colleges is provided predominantly by the Ministry through a block funding mechanism. Other 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 has also been 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. Programs and services to be assessed in terms of balancing the 2011/12 budget are those funded within the Ministry base block funding process.

ii. Budget Shortfall

As of November 25, 2010 the preliminary draft 2011/12 status quo expenditure plan/budget indicates an operating fund “shortfall” or approximately \$1.6 to \$1.8 million.

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.

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

The regional economic situation in 2010 has improved somewhat and the “recession” has ended. If regional unemployment rates continue to decline in 2011 it is possible that student enrolment in developmental, university transfer, career and vocational programs in 2011/12 may also decline slightly over the record high levels of 2009/10 and 2010/11.

vii. Review of College Funding Model

Over the past few years, the provincial Ministers responsible for the colleges have discussed a possible review being undertaken regarding the “College System Funding Model”. However, a 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 in 2011/12.

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 has been one of the primary accountability measurement tools used by the provincial government and the Industry Training Authority (ITA).

ix. Provincial Tuition Policy

The Provincial Government’s policy of limiting tuition fee increases to the rate of inflation (approximately 2%) will continue for 2011/12 and 2012/13.

x. Accountability Requirements

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

e. Guiding Principles and Decision-making Considerations

- 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 2011/12, we must also look ahead to 2012/13 and beyond. We will not postpone taking steps to mitigate and reduce a projected budget deficit this year, and therefore compound the size of next year’s potential financial problem.
- iii. We will achieve a proposed operating budget and (if required) any 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, any required budget reductions will be targeted rather than proportionally balanced across the entire college.
- v. 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.
- vi. 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.
- vii. 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 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 2011/12 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 the program/service achieving important student outcomes (employment, transfer, other)?

Economic and/or Social Impact within the College Region

Is the program/service 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 2011/12 and 2012/13?