



## 2012/13 Budget Development Framework

This framework document has been prepared to assist the College in the development of the operating budget for the 2012/13 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 November 2011 through February 2012 this draft document will be reviewed and discussed with: the College Board of Governors; Education Council; Management Team, Faculty Association, Canadian Union of Public Employees Local 4951 Executive; and the CNC Student Union. Feedback received during the course of this consultation process will be used in the preparation of the final 2012/13 Budget Development Framework for approval by the College Board.

### **A. Status Report**

The College's approved 2011/12 budget is available on the College Board Governors website here: <http://tinyurl.com/3hsqkoy>. Information regarding the College's 2011/12 to 2013/14 base operating grant funding from the provincial government is available on the Ministry website at: <http://tinyurl.com/3jlhnx4>. For reference the College's Audited Financial Statements for the Fiscal Year ending March 31, 2011 are also available at: <http://tinyurl.com/3jzs2rx>.

The 2011/12 operating budget as approved by the College Board of Governors in April 2011, projected a small surplus (\$116,788) for the year. As of November 21, 2011 based on the College's 2011/12 budget review and forecast of revenues and expenditures we expect to end the 2011/12 fiscal year (March 31, 2012) with a larger surplus than originally budgeted. This is primarily due to under expenditure of the budgeted contingency reserve and prudent fiscal management on the part of many college administrators.

A few key issues regarding CNC's funding and other revenues for 2012/13 are:

- 1) The only net increase in the Ministry of Advanced Education base operating grant over the current year (2011/12) will be additional targeted funding (\$295,545) for the second year of the new Medical Radiography Technology program;
- 2) The Industry Training Authority (ITA) Training Plan funding requested will be \$4,578,000;
- 3) The Annual Capital Allowance (ACA) funding is expected to remain at the 2011/12 level of \$374,697, which was a \$1,065,931 reduction to the level of funding provided in 2008/09;
- 4) The continuing status of Aboriginal Services Plan (ASP) funding (\$408,000) is partially undetermined (as of this date); the Ministry has advised the College that we can expect to receive a minimum of \$200,000 to support the ASP activities in 2012/13;
- 5) Approximately, \$574,000 in other one-time/special grants received in 2011/12 may not recur for 2012/13; and,
- 6) Actual student tuition revenues in 2011/12 will be \$400,000 less than budgeted and therefore 2012/13 budgeted tuition revenue levels will need to be adjusted accordingly.

- 7) The provincial post-secondary education system's requirement (as directed by the government) to adopt the Public Sector Accounting Board (PSAB - <http://www.psab-ccsp.ca>) accounting standard rules for 2012/13 will have an impact on our abilities to defer some surplus revenues (e.g. from contracts and cost-recovery programs) from 2011/12 to next year. These funds will have to be included in the final 2011/12 year-end operating fund balance and therefore will not be available for use in the 2012/13 fiscal year.
- 8) The provincial government has established a new "Cooperative "Gains" mandate for public sector collective bargaining for 2012/13 (for details see: <http://www.pssg.gov.bc.ca/psec/bargaining>). This mandate may result in increased costs associated with collective agreements for faculty and operational staff employees that will need to be offset by other "savings".

As of January 20, 2012 the Version 2 draft of the revenue and expenditure plan for the 2012/13 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 (if nothing were changed).

This potential operating budget shortfall is a result of many factors including the funding and revenue issues noted above. As well, on an annual basis the College experiences a variety of unavoidable increased 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; 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.

The potential budget shortfall/deficit is comprised of approximately \$974,000 in possible revenue decreases and an approximately equal level (\$950,000) level of unavoidable cost increases. 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 2012/13 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 2012/13 budget development process, and are intended to support the creation and consideration of options (through a transparent and consultative process).

Timeline and Process - This section outlines the key milestone dates and activities currently planned for in the 2012/13 budget development process.

Context Information - Key facts and historical information regarding college finance (e.g. revenues, costs, expenditures) are provided in this section.

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.

Guiding Principles and Decision-making Considerations - These sections outline the 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 during the review this framework document.

**B. Timeline and Process**

<b><u>DATE</u></b>	<b><u>EVENT / MILESTONE</u></b>
September 30	College Board reviews/approves 2012/13 Preliminary Budget Assumptions
October 15	Version 1 (Preliminary) Status Quo 2012/13 Budget Completed for review by college Budget Officers/Managers
October 18	Education Council to review 2012/13 Preliminary Budget Assumptions
November 10	Budget Officers/Managers provide information to Controller for current year 2011/12 Budget Review/ Forecast  Budget Officers/Managers provide feedback regarding Version 1 (Preliminary) Status Quo 2012/13 Budget
November 21	2011/12 Budget Review/Forecast Completed
November 25	College Board Meeting  Preliminary review/discussion of first draft of the 2012/13 Budget Development Framework document.  a. Status Report b. Timeline and Process c. Context Information d. Other Planning Assumptions e. Guiding Principles / Decision-making Considerations
December	Board Executive Meeting with MLAs
December 6	Education Council Meeting
December 7	Version 2 Draft 2012/13 Budget Completed
December 15	Publication of revised Draft 2012/13 Budget Development Framework document
December 24 - January 3	Holiday Period

January 11 - February 10, 2012	College Executive Administration meetings with Budget Officers/Managers re Version 2 Draft 2012/13 Budget
January 17	College Management Meeting Education Council Meeting - Final advice/input re the 2012/13 Budget Development Framework
January 20 to February 29	"College Finance 101" Presentation Sessions
January 16-31, 2011	Preliminary Consultation Meetings with Unions (FACNC, CUPE, CNCSU) re 2012/13 Budget
January 27	College Board Meeting - Approval of final draft of 2012/13 Budget Development Framework - Notice re 2012/13 Tuition Fee Motion
January 31	E-mail Update to "All at CNC" re Budget 2012/13 Publication of Final 2012/13 Budget Development Framework
February 21	B.C. Provincial 2012/13 Budget tabled in the Legislature
February 24	Penultimate Draft of 2012/13 College Budget completed
Friday March 2	College Board Budget Meeting (In-camera and Public) - review of options/recommendations for 2012/13 Budget - decisions and approvals to issue employee layoff notices (if required) - 2012/13 Tuition Fee Decision
March 5-9	Meetings of FACNC, CUPE, CNCSU, Administration re preliminary budget decisions and impacts (if any) - layoff meetings/notices issued if required
March 13	Education Council Meeting
March 14-19	Internal and public/media communications re preliminary 2012/13 budget decisions and program/service impacts

March 21-25	Confirmation of 2012/13 funding from Ministry of Advanced Education
March TBA	Board Executive Meeting with Government MLAs
March 29	Public Forum/Consultation Meeting (if required)
March 30	College Board Meeting
March 31	Fiscal Year 2011/12 Ends
April 1-20	Final 2012/13 Budget Completed
Friday, April 27	College Board Meeting - 2012/13 Budget Approval

### **C. Context Information**

- i. Over the past six years (2005/06 to 2010/11). . .
  - a. The provincial government Ministry of Advanced Education Base Operating Grant increased by a total of \$4,297,000 or 17%. Of that amount, \$3,000,000 was provided to fund negotiated employee salary and benefit cost increases, and the remainder (\$1,297,000) was directed to fund new and expanded health, trades and Aboriginal education programs;
  - b. No additional base funding has been received to offset other annual unavoidable cost increases which have averaged approximately 2.0% of overall expenditures;
  - c. Over the course of the past six years, therefore the College has “absorbed” a cumulative total of approximately \$5.2 million in cost increases. This has occurred in part through reductions to programs and services and reallocation of resources, and through tuition revenue growth which accompanied increased student enrolments;
  - d. Overall, from 2005/06 to 2010/11, student FTE enrolments (AVED and ITA) increased from 3,150.3 to 3,690.6 (17%);
  - e. Overall total tuition revenues increased from \$5,756,000 to \$7,948,000 (38%). This resulted from FTE enrolment growth and tuition rate increases (totaling 10% over the period); and,
  - f. The Annual Capital Allowance (ACA) grant has decreased from \$2,494,686 in 2005/06 to \$374,697 in 2010/11.
- ii. In 2010/11, CNC received approximately 71 percent of its total revenue from the provincial government through the Ministry of Advanced Education operating grant and the Industry Training Authority (ITA) Training Plan funding.
- iii. Student tuition fees accounted for 16 percent of CNC’s revenue in 2010/11. This proportion is far lower than the proportion generated by the special purpose teaching universities (32%), and large urban colleges (26%).
- iv. CNC’s average full-time tuition rates are the second lowest in the province (\$43 per year from the lowest) and are 11 percent below the weighted provincial average for the colleges.
- v. In 2010/11, 77 percent of the Colleges expenditures are allocated to employee salary and benefit costs. “Other” expenses represent 22 percent of total expenditures annually.

College of New Caledonia, Summary of Financial and Other Information, 2005/06 to 2010/11

	2005/06 Actual	2006/07	2007/08	2008/09	2009/10	2010/11 Actual		Change 2005/06 to 2010/11	% Change	2011/12	Notes
<b>Revenues (\$'000's)</b>											
AVED Base Grant	25,430	26,949	28,069	29,205	30,186	29,727	60%	4,297	17%	Actual Not Available	\$3.0M of increase for employees' negotiated wage increases
ITA Grant	3,752	3,497	2,994	4,504	4,981	5,298	11%	1,546	41%		
sub-total grants	29,182	30,446	31,063	33,709	35,167	35,025	71%	5,843	20%		- new/expanded health & trades
Tuition	5,756	6,084	6,741	7,531	7,355	7,948	16%	2,192	38%		- overall enrolment growth (17%)
Other	4,754	4,767	4,783	5,062	5,261	6,434	13%	1,680	35%		plus tuition rate increases
<b>Total Revenue</b>	<b>39,692</b>	<b>41,297</b>	<b>42,587</b>	<b>46,302</b>	<b>47,783</b>	<b>49,407</b>	<b>100%</b>	<b>9,715</b>	<b>24%</b>		
<b>Expenditures (\$'000's)</b>											
Salaries/benefits	31,594	30,627	34,552	35,037	35,829	38,087	77%				- more than 3/4 of college total expenditures to employee costs
Capital	1,040	1,292	800	842	749	296	1%				
Other	7,056	7,398	8,357	9,456	9,596	10,989	22%				
Change in leave accrual	-68	-107	-452	-70	34	-131	0%				
	39,622	39,210	43,257	45,265	46,208	49,241	100%				
Excess/Deficiency	70	2,087	-670	1,037	1,575	166					
<b>Personnel FTE (per HRDB)</b>											
Excluded	40	42	44	42	43	Actual Not Available					- stable total FTE excluded and faculty employees, growth in FTE operational staff
Faculty	219	214	213	216	215	Available					
Operational Staff	187	192	202	210	222						
	446	448	460	468	480	0					
<b>Personnel Headcounts (Mar.)</b> (full and part-time)											
Excluded Admin.	38	41	45	41	46	45				Actual Not Available	snapshot counts on March 31 numbers vary somewhat on a month to month basis
Faculty	314	303	308	322	317	347					
Operational Staff	249	260	275	284	300	300					
Total	601	604	628	647	663	692					
<b>Student Enrolment FTEs</b>											
Subtotal AVED + ITA	3150.3	3193.1	3439.0	3685.8	3850.4	3690.6		540	17%	3576.0	
AVED	2226.3	2069.2	2178.8	2207.0	2357.1	2345.1		119	5%	2309.0	- enrolment growth has been greatest in trades training
ITA	895.1	1124.2	1260.1	1478.8	1493.3	1345.5		450	50%	1267.0	
International	148.5	159.1	149.8	158.7	191.5	207.0		59	39%	223.6	
<b>Annual Capital Allow. (ACA)</b>	2,494,686	1,863,227	1,516,450	1,516,450	978,635	374,697		-2,119,989		374,697	tuition rates have increased a total of 10% over the past 7 years
<b>Tuition Rate Increase</b>	none	2%	2%	2%	2%	2%				none	2011/12 "no increase" = -\$158,000

## **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 2012/13 budget are those funded within the Ministry base block funding process.

### **ii. Budget Shortfall**

As of January 20, 2012 the preliminary draft 2012/13 status quo expenditure plan/budget indicates a potential operating fund “shortfall” of approximately \$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 2011 has improved somewhat and the “recession” has ended. If regional unemployment rates continue to decline in 2012 it is possible that student enrolment in developmental, university transfer, career and vocational programs in 2012/13 may also decline lower than 2011/12 levels.

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 2012/13.

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 2012/13. Information regarding the policy on post-secondary institution tuition rates is available at the following link.

<http://www.aved.gov.bc.ca/tuition/welcome.htm>

x. Accountability Requirements

Any 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 2012/13, we must also look ahead to 2013/14 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.

## **F. Decision-making Considerations**

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

### **Student (and community) 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?*
- c. *How does the total cost of the program 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 Impacted**

*How many students would be impacted?*

### **Numbers of Employees Impacted**

*How many college employees would be impacted?*

### **Availability Elsewhere**

*Is the program 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 Outcomes**

*To what extent is the program achieving important student outcomes (employment, transfer, other)?*

### **Economic and/or Social Impact within the College Region**

*To what extent is the program 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 is suspended, what would be the key factors facilitating or inhibiting it being restarted in the future?*

*Could the program 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 have negative political or community relations consequences?*
- b. *Is the program 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 2012/13 and 2013/14?*