

b a c k g r o u n d e r

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"The formula and tuition fees produced fewer dollars than our costs"



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1991-92 College budget shows possible four and one half million dollar shortfall

For some time now, Vancouver Community College has been faced with serious budget difficulties. College revenues have not matched expenses for several years. The basic problem, identified by College administrators, has been that funding methods for B.C. colleges, particularly those specializing in vocational programs, do not work.

In the spring of 1990 the College Board received a commitment from the Minister of Advanced Education to review the revenue and expense gaps that had been plaguing VCC for several years. Those gaps were projected to continue, despite adjustments to the support dollars generated by the funding formula. The focus became instructional costs and instructional revenue provided through the Ministry grant.

Last fall the College administration made important adjustments to many of those expensive programs, but those changes were not without controversy. Over a period of two months, nine public meetings were held to discuss the proposed 1991-92 program profile.

In addition, the Ministry addressed one of the largest areas

of concern: ESL grant revenue. Adjustments in the formula were made which meant that costs and revenues were about even.

But despite these changes and grant adjustments, our financial problems remain. Currently, for 1991-92 we face a projected budget shortfall between revenue and expenses of almost four and a half million dollars.

In recent weeks there has been a lot of talk, inside the College, about the budget situation. To clear up confusion and provide more information, Spectrum spoke to Acting President Ross Carter about the 1991-92 budget.

Can you give us an overview of the budget situation for this fiscal year?

Hard information about the budget isn't available yet. We're dealing with a situation where the province has not provided a budget. Everybody at all levels, therefore, has to make assumptions about what it's likely to be.

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We've been working on this for over a year, because we foresaw then, that if the trend which has appeared for the last two or three years continued, there would be a gap between College revenues and expenses. If that continued to widen each year as it has, it was going to be a difficult year for VCC.

We felt, therefore, that we should do something about this, long before we reached that point. Not that we haven't been doing something in other years. In fact over the last two or three years some fundamental adjustments have been made in the budget.

So you took action ... and that involved last fall's program profile review?

More than that, a task force was struck to address VCC's long term problem. The task force consisted of Ministry officials, our appointees and Bob Elton, a financial consultant the Ministry had used in the past and who had already examined the VCC budget from another point of view. We began with an agreement that VCC *did* have a problem.

And some strategies emerged from that process?

The first objective was to get a clear understanding of the roots of our problem. We had to separate VCC's specific problems from those which are endemic to the whole system. The strategy that emerged was to look at the revenue from the provincial grant and examine it in relation to program costs. We did a great deal of analysis along those lines.

Is that what has been referred to in the past as the problem with the funding formula ... which wasn't working for the college? That it wasn't matching VCC's real costs?

Yes, that's right. There are two parts to the funding formula. One funds the actual cost of instruction and immediately associated instructional activities and the other part is for support services. We have been addressing the support services side for a number

of years and that was more or less fixed up as of last year. But it was clear that there was still a problem and so the focus became the gap in funding for instruction.

And out of that came changes to the program profile?

Yes. In the process of examining the fiscal base for instruction, we identified some programs in the occupational areas, which for a variety of reasons, were not performing as the College expected. They were not drawing students or providing skills that employers wanted, in the way the college was offering them. So there was a whole array of reasons why a handful of programs were not working as we felt they should.

And in the process of dealing with the fiscal side of things, those programs emerged as areas to work on. So the College got at that element, either by combining them with other programs or reducing them or initiating changes in the curriculum ... whatever. A whole array of approaches.

And that resulted in the revised '91-'92 program profile?

Yes. But that still left a considerable number of program areas where the funding was not equal to the expenses of the program.

Why was that?

The formula and tuition fees produced fewer dollars than our costs.

Even though, in that process, you searched for all possible efficiencies? So the formula itself was flawed ... was that your conclusion?

Yes, that was our conclusion. Some of that may have been a reflection of elements on the expenditure side over which the College has some control - class sizes fixed by safety considerations, salary levels, program length, contact hours and so on. All of these factors affect cost. But there were formula factors on the revenue side, some of which were unique to VCC

and some of which may be system wide, over which the College has little control. However, it did seem that VCC had many more of these difficult program areas than many other B.C. colleges.

What is our actual budget shortfall expected to be, if we do meet our program profile?

The projected gap (as of Friday, May 3) was in the order of \$4.5 million or about 7 per cent of our total budget.

But that is a paper gap. In budget planning you look at the program profile and at the costs of delivering that program profile, inflate those costs for salary increments and inflation, add an inflation factor on the non-instructional side and generate a projected expense.

But that **doesn't** take into account a number of potential cost savings that might be done without sacrificing program quality or FTEs.

What kinds of savings?

A reduction in administrative positions, augmentation of class size, student contact and the pattern of intakes, reductions in inventory, things like that. Often they're small things, but they all add up.

Could you put a dollar figure on how much savings these measures might generate against that four and a half million dollar shortfall?

No. We are in the process of doing that right now, reviewing where we can trim without affecting the quality of programs.

"Quality of programs" meaning people?

Yes, but it also means support for instruction. It certainly means without affecting either the number of students or the number of instructors. And that is the first step we are taking. The Board motion says we should take:

"... all measures to reduce expenditures and increase revenues other than

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tuition fees, short of reducing the current proposed program profile activity, while maintaining the quality of instruction ..."

Can this initial strategy realistically close that large a budget gap completely?

No, in all likelihood, it's not going to. But I think it will make a dent in it. That's guess work on my part. No, really, it's informed intuition. It's what we've been able to do in the past.

What is the next step in this process, if we do find out the projected deficit is, in fact, real?

It depends on the size. At that point if there is a significant gap we're going to have to look at several approaches. One is to go hard at the Ministry for additional grant revenue. The College is joining with other institutions under the banner of the Advanced Education Council of B.C. (representing the boards of all B.C. community colleges and institutes) to take that initiative, but I must admit I'm not optimistic about this initiative.

Another strategy is to reduce our instructional activity to a point where it meets the grant revenue. That translates into cutbacks in classes, programs and support.

How would we go about doing that?

Initially, we would look at which programs are contributing most to the financial gap, in other words the most expensive programs. I say initially because that's only one factor.

How is that figured out?

We take all the college programs and look at the revenue they generate - fees and the grant and so forth. Then we estimate the cost of delivering a program. We then figure its projected budget. We add all the support areas and pro-rate them on an FTE basis: library support, payroll and accounting support, for example. Then we look at the difference between the

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two.

Why are some programs more costly than others?

They may have low instructor-student ratios. They may have high supplies or maintenance costs in terms of equipment. But a program may also generate low revenue. It may not be intrinsically expensive but cost more than the College gets to run it.

If you had to cut programs would you always choose the most expensive ones first?

Well, we would have to look at those. But as I said we also have to add in other very important factors, like community need and student demand. It can't be done simplistically. But we've got to look at where our dollar gaps are.

Some will argue that education shouldn't be planned on a purely cost basis - that it should be determined by society's needs. Should we be taking a purely economic approach to cuts?

No, we shouldn't and we won't and if we have to make reductions then obviously multiple factors have to be considered and judgements have to be made. The College has gone through this before. We are constantly adjusting our programs. Be-

cause of recent changes to the program profile, we are now running with an array of programs that is pretty strong. There is demand there.

You're saying that you've trimmed wherever demand was low, so now, to cut programs would mean failing to meet real community demand?

That's right, but we know we're already not meeting some demands. But that possibility has to be matched with the necessity to balance our budget and the necessity to deliver the program profile. The College has to sort out its priorities in the light of its responsibilities.

But one of the difficulties of reducing when we're already into a budget year is that to make it all match up evenly at the end of the year, we've got to cut somewhat deeper because we're only cutting for part of the year. If we're cutting in areas with contractual obligations to employees we don't turn those off, just like that. We have longer term commitments.

So we may consider if there are ways to spread that process out over a couple of years. The College is constrained by the Colleges Act from running a deficit but there may be ways to deal with reductions, if they're necessary, over a two year period.

Borrowing from one year to pay the next? Won't that cause problems down the road?

Indeed it may. All these possibilities are fraught with problems. But we have to be as creative as we can. We shouldn't close off any options and the board has, in essence, approved looking at that possibility.

Then should we expect layoffs and class reductions in 1991?

My best guess is, yes. The real question is how many and how much and I can't really judge at this point. We're committed to maintaining the quality of what we offer and we're committed to delivering as much of the program profile as possible.

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As opposed to some kind of across-the-board cuts?

We tried that in the mid eighties and almost everybody involved felt it was a mistake.

There was a lingering effect?

We're still paying for that in many ways. But if we ultimately have a significant gap that can't be finessed, then we will look at program cuts.

How does that make you, as an educator, feel?

I don't like it. I don't like it at all. We have the capacity to deliver. We've got strong programs. We're meeting real community need. The long term benefit of what we do is positive and contributes to our community. It is slow economic suicide, in a way, to be cutting programs where there *is* real community need but we are constrained by the setting in which we operate.

If you were asked to give a message to the College community concerning their anxieties as they face



the coming year, what would you say?

We'll make every effort to minimize the reductions. That's what we're going through now - a process of making sure that if there are to be reductions, they're minimal. Everyone involved has got to be creative. We must make sure we've got revenues up as high as they possibly can be. But until we have hard information, speculating is very difficult. By nature I'm a very optimistic person and I've found that in the past, we

have to be very creative with this kind of problem. But until we know the outside edges of the problem, it's difficult to do more than say what we will do "if".

It's very difficult to say to people in the College community "don't worry". I am optimistic that we will minimize this but if our assumptions are correct, we're dealing with an internal inflation on salaries of more than 10 per cent and a potential revenue (underlining this as an assumption), inflation factor of about 4 to 5 per cent and that leaves a significant gap.