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JULY 19, 1991

VCC budget crisis resolved-for now



For the past year and a half, Vancouver Community College has wrestled with projections that showed an alarming budget shortfall for 1991-92. During that time the College worked with Ministry of Advanced Education officials to resolve the problems. As well, the College Board met several times with the Minister of Advanced Education to alert him to the situation and to develop a framework for a solution. This work provided several adjustments which, it was hoped, would have a positive effect on the College.

However, when the College received its ministry grant for the 1991-92 budget year on May 24th, it became clear that those steps already taken had not been enough. A \$4.5 million dollar shortfall still remained. Spectrum talked recently to Acting VCC President Ross Carter to find out more about how the situation was finally resolved.



Acting President Ross Carter

When we last spoke we had a four and a half million dollar budget shortfall. Now we don't. How did we get from there to here?

Several things happened. When the campuses began to work out their budgets in detail with the dollars available it became clear they were missing significant amounts of money needed to deliver their program profile - in the millions at each campus.

One of the problems is that when you don't have the money to deliver the program profile, you aren't receiving all the students you'd planned.

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If you're not receiving all the students, you no longer receive their tuition fees. Tuition fees are about 16 or 17 per cent of our budget. For each student that disappears the College loses roughly \$1,100.00

So to accommodate that loss you have to eliminate still more student spaces. You don't have the money to pay the instructors. When you eliminate more instruction you lose even more students and you start that downward spiral. Eventually it *does* get into balance. But the point at which we were getting into balance for a full time equivalent student base of 9,700 FTE was at about the 8,000 FTE level or an under-performance of 1,700 FTE. That's a huge chunk of money lost. That's a \$1.7 million, possibly a \$2 million loss of tuition revenue.

And a loss of Ministry grant money too?

A loss of grant money was also a possibility. At that point the Ministry began to say we weren't even coming close to delivering what we'd promised. You can't really keep the grant in that situation so, yes, we could have lost 20 per cent of our grant. That would have required that we go down still further.

It never quite got to that point but it was serious enough that the Ministry was very concerned. We were very concerned. The instructor groups were very concerned because they saw jobs, a significant number of jobs, being eliminated. It was a deepening crisis up until about three weeks ago.

So senior administrators and the Board Chairman met with the Deputy Minister to explore what could be done. It was suggested that the unions, the

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Ministry and the College get together with an objective outside person to look at solutions. Peter Lusztiig (former Dean of Commerce at UBC) was suggested and everyone agreed he would be a suitable individual to referee this planning session.

Peter Lusztiig worked on the premise that to solve the problem, everybody was going to, as he said, "bleed a little". That proved to be the case. We emerged with the following:

The Ministry adjusted the economy of scale factor which controls part of our grant. That produced an additional \$300,000.00. **The Ministry also adjusted** what was acceptable as a Full Time Equivalent Student, an "FTE" in the vocational area. More about that later.

The College agreed to cut further into administrative expenses. Approximately \$500,000.00 had already been cut in the KEC/City Centre administrative re-structuring. The College agreed to a further \$360,000.00 reduction.

What does that reduction involve?

It may mean the loss of some additional administrator positions. It may affect administrative salaries. It may affect administrative services in terms of tightening up on costs. We have two years to deal with that. Our initial analysis is that more than half can come from this year's budget without damaging the College.

The instructor unions agreed to increase class sizes by 10 per cent in the ESL and ABE areas (two students per class on average). **The College agreed** to move \$500,000.00 over to ESL to cover additional ESL student FTE.

We were then able to say we could deliver the full FTE that we were contracted for. There were still some details to be worked out.

Is that why we still don't know exactly what impact this will have on ABE and ESL?

I think we're pretty clear on ESL. We'll deliver 1,550 FTE in ESL. All the regular instructors will be back and the layoff notices have been rescinded.

The ABE difficulties were more complex with some small classes but have now largely been resolved. We now know we will be able to continue all regular ABE positions and as a result, all previously issued layoff notices have been rescinded. We are continuing to promote and market the courses and the program. We will continue to assess demand over the next months and into the fall.

Does this 11th hour solution hold the possibility of still further prob

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lems down the road - even as soon as next year?

I didn't yet mention that the Ministry also opened the door for us to run a deficit (up to a million dollars) if that would help - probably about 11 or 12 per cent of our budget, with the option of paying it back over two or three years.

But instead, we explored another less onerous option which was to draw on our operating capital. Last year we got \$1.2 million in operating capital. This year we got \$2.2 million. While we need every penny of that, we did feel we could wait on some equipment, furniture and so on, in order to build back instruction instead. So at this point we've decided to borrow from operating capital to the tune of about \$1 million. It's a nice kind of borrowing because we don't need to pay it back because it's College funds and thus it avoids problems down the road.

But that means fewer computers, less furniture etc. Doesn't that ultimately have an effect on the quality of instruction?

Indeed. In the mid-eighties, we had a couple of years without any operating capital in order to balance the budget. But we paid for it. We had equipment that was breaking down and was not replaceable. It was very short sighted. But while we recognize the need for more operating capital, particularly in the computing area, we feel we can get by for one year, maybe two, with operating capital in the range of \$1.2 million. So we're looking at which is the least unacceptable solution.

And next year as we go into April will we face the same situation?

Yes, to some extent. We may still have



"It was a deepening crisis up until about four weeks ago."

to borrow that \$1 million again representing the operating capital that we drew on. We will have reduced our expenses however, in the administrative area and we can reap the benefit of that. We will have the new FTE formula and hopefully we'll generate more FTE than we agreed to. So if we get an increase in our funding to cover that additional FTE we'll have some discretionary funds to fill in the gap.

If we delivered only a hundred new FTE over the 9,700 we are funded for this year we could get an additional grant of \$7,000.00 per FTE. There's \$700,000.00. So those fully-funded *additional* FTE, can be very helpful in future years.

Lets move to the new FTE calculation which was part of these nego-

tiations - can you explain what happened there - what we did to the "FTE"?

Sometime in the '70's arts and science and vocational FTE were defined. The vocational FTE was set at 1,230 hours per year - one student attending classes for 205 days at six hours per day.

Students don't always come in full time packages - often they're part time, or they're students who attend for six months only or for three months on a quarter time basis and so on. The way of tallying things for budgetary purposes was to accumulate those part time students and count them, ultimately, as full time equivalent students or "FTE's".

At that time, instructors were, by and large, in the classroom 205 days a year for six hours a day. So an instructor FTE and a student FTE matched. However the programs that the college was delivering in the vocational area began to shift. The way programs and courses were delivered began to change. It was recognized that the student was not only taught in a classroom setting but also had to work independently, that this was *as* important as having an instructor in front of the class telling the student what the facts were or how to do things.

So more and more directed learning was occurring which required more and more preparation, and the actual classroom time began to shrink and other forms of scheduled learning were introduced. Ultimately in 1991, a 920 hour instructional assigned duty became the vocational instructor norm and there was an effort to make the collective agreements match that reality. **SEE NEXT PAGE**

ity. However, the FTE student was still calculated at 1,230 hours.

So that required more instructors to get each FTE student paid for by the Ministry?

That's right. If the College was going to put an instructor in front of a class to meet the student 1,230 hours, it needed 1.2 instructors for every full time equivalent student.

That became a financial nightmare for the College and was a significant part of what we were dealing with in the 1991-92 budget. The agreement on the part of the Ministry to recognize forms of educational delivery other than direct classroom instruction really was what made the resolution of the financial difficulties possible. It was recognized that seminars, directed study, field work - a whole range of learning activities, were possible and that the important thing was that the student should achieve the program objectives which the College Board has approved for the program.

So we've again matched an FTE instructor with an FTE student?

By and large. There are some marginal things to be worked out such as a consistent way of calculating this new tallying method so there is recognition by instructional departments that there are ground rules here - that it's not a free for all.

So does that ultimately mean fewer instructors at the college? And lower costs? Is that how we've balanced the budget?

That's right. It now means that in order to deliver the same FTE we need .2 fewer instructors. However, we are still teaching the same number of

students. Therefore we're still receiving their tuition fees and we can plough that back into the budget.

In addition, for this year, instructors have agreed to add two students in program areas where there are about 2,000 FTE. That comes to approximately 200 new FTE students and that helps both in terms of getting the Ministry grant and in getting student tuition.

When the College signed the last collective agreement with the VIA did you not foresee this as a problem - the financial impact of lowering the classroom time for each instructor?

There was some argument over that. I don't think the full impact had been worked out either by the College or the faculty representatives. It was difficult to get a handle on it. It wasn't until there had been full analysis that we actually realized the full impact.

Why did it all have to happen at the 11th hour?

In one sense it didn't all happen at the 11th hour. The recognition of the problem occurred more than a year ago and discussions with the Ministry started more than a year ago.

I think it required a detailed analysis of the impact before the seriousness of the problem was realized by any of the players. That didn't occur until we had actual budget information from the government in hand. The College received that on May 24th. We'd been doing modelling up to that point and recognized there was going to be a problem.

In fact before May 24th we had identified the four and a half million dollar

gap but until the departments had an actual allocation and started to work through their budgets and say "look this is not enough money to keep instructors on - here's how many we're going to have to lay off..." I don't think we fully appreciated the seriousness of the problem. I don't think the instructor unions understood the seriousness of the problem. I don't think the Ministry understood the seriousness of the problem. Until you understand a problem you can't get at it.

What have you learned from this whole process?

I've learned that most problems are resolvable if you have enough pressure. I've also learned that you need good solid information on the budget side of things so you can identify problems before they get to the crisis stage. We've got to work on that as a College.