



THE BEACON

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The Beacon is an information bulletin for StFXAUT members.

The StFX University Budget Committee is working on the budget for the 2011-2012 fiscal year. The challenge faced by this committee is to deal with the anticipated gap between expected revenue and projected expenditures. The StFX AUT Financial Oversight Committee, while examining the University's financial statements, noted some revealing trends in the University's handling of such challenges in the past.

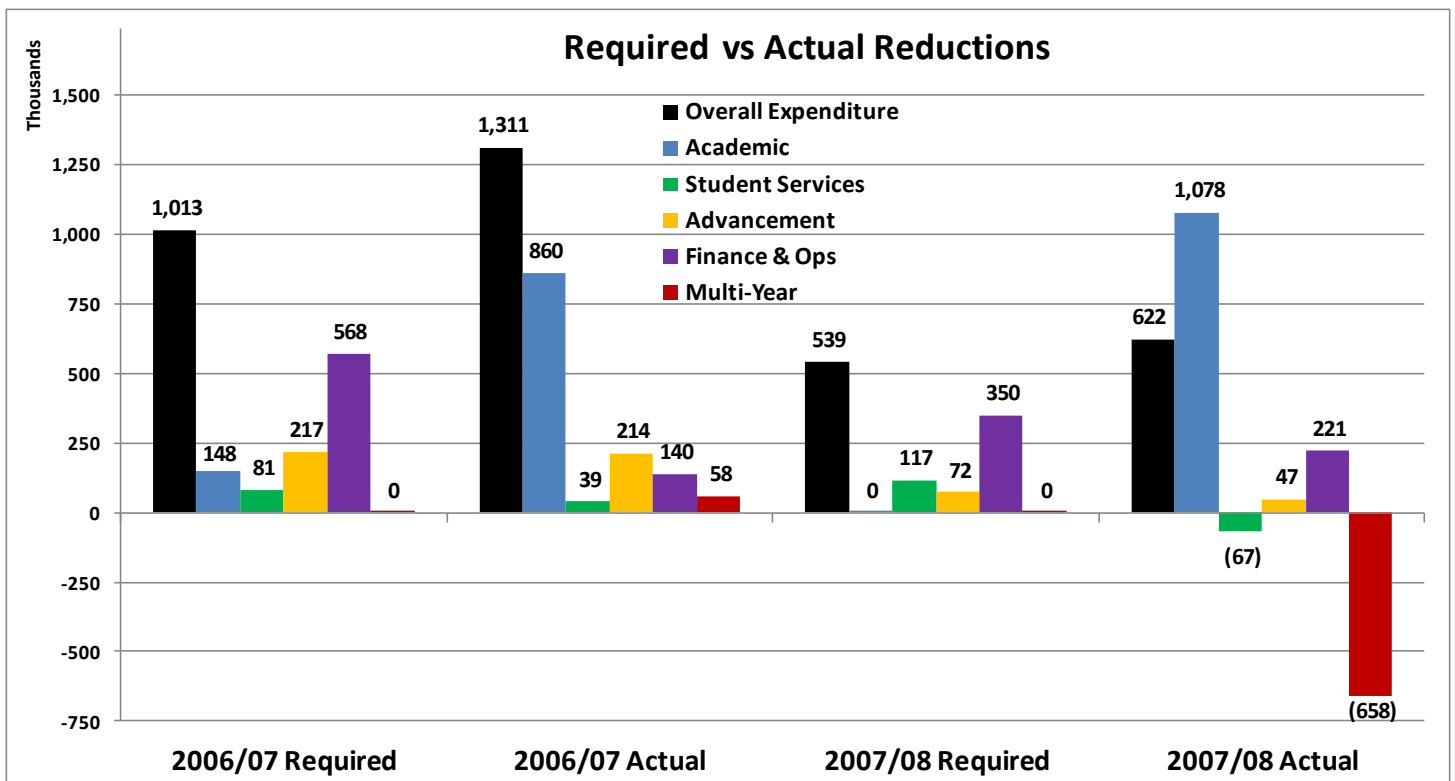
While planning for the 2006-07 fiscal year, the budget committee reported in June 2006 a gap / required reduction of approximately one million dollars (despite an anticipated 6.5% increase in revenue - the actual increase was closer to 6%). The budget for 2007-08 also shows required reductions, this time totaling approximately half a million dollars (despite an anticipated increase in revenue of 0.9% - the actual increase was closer to 1.5%).

The Current Crisis: How Does it Compare?

According to Dr. Riley during his presentation to faculty on March 2, 2011, the current budget gap amounts to approximately two and one-half million dollars, under the assumptions of a four percent cut in the University's operating grant from the Nova Scotia government, a three percent tuition increase, a net gain of 150 students, and a recovery in the returns from the endowment.

Previous Outcomes?

The graph below illustrates the required reductions budgeted as well as the actual reductions achieved for both the 2006-2007 and 2007-2008 fiscal years, while illustrating the division of the overall expenditure reductions into the five budgetary envelopes. A negative value in the actual reductions illustrates expenditure by an envelope exceeding its budget before reductions.



The values used in this analysis are those resulting from the adjustment which accounts for the projected conservative estimate of the effect of the reallocation of spending from the Administration & General category (\$1.147 million) to the Academic envelope (\$758,000) and Student Services envelope (\$389,000), as outlined in The Beacon (Volume 2, Issue 1). Without this adjustment, the graphing of “2006/07 Actual” values appears quite different; however, the other three sets of values are identical.

Examination of the graph reveals the actual reductions in overall expenditures for both fiscal years exceeded the levels of reductions anticipated as required to balance the budgets. These differences were achieved through some adjustments in the reductions applied to the individual envelopes.

For the academic envelope, the cut budgeted for the 2006-2007 fiscal year was only 0.4% of the amount budgeted before reduction. The actual cut was 2.33%. In 2007-2008, there was no cut budgeted for the academic envelope, however, a cut of 3% of the budgeted amount occurred. This \$1.078 million difference amounted not only to more than the original required overall reduction of \$0.622 million, but also comprised the majority of the \$657,680 over-expenditure in the multi-year envelope.

For the student services envelope, the cut budgeted for the 2006-2007 fiscal year was 2.7% of the amount budgeted before reduction, whereas the actual cut was only 1.3%. There was a line item in the student services budget that year entitled “Additional Expense – 2006-07” and valued at \$15,000. This amounted to over one-third of their actual reduction that year. In 2007-2008, there was a 3.78% cut budgeted, however, student services spent 2.16% over the amount budgeted before reductions. That is more than 6% over their post-reduction budget allocation.

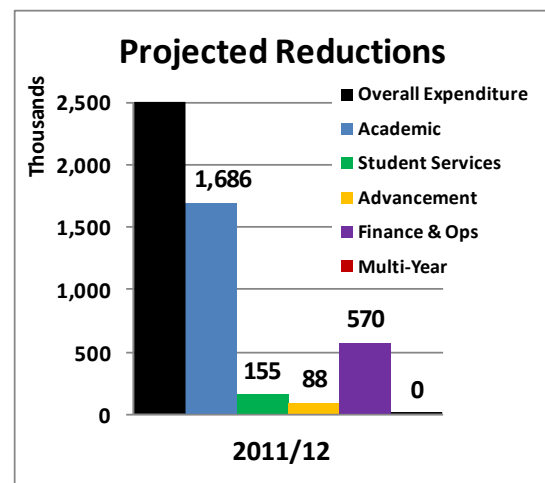
For the finance and operations envelope, the cut budgeted for the 2006-2007 fiscal year was 4.86% of the amount budgeted before reduction, whereas the actual cut was only 1.2%. There was a line item in the administration & general category of this envelope entitled “Additional Expense – 2006-07” and valued at \$275,000. This new money amounts to almost double the actual reduction in the finance and operations envelope. In 2007-2008, there was a 2.9% cut budgeted, but only a 1.8% cut occurred.

	Budget 06 / 07	ACTUAL 06 / 07	BUDGET 07 / 08	ACTUAL 07 / 08
Academic	36,926,802		36,109,895	
Reductions	(147,908)	(860,440)	-	(1,078,134)
Total	36,778,894	36,066,362	36,109,895	35,031,761
Student Services	2,994,277		3,093,661	
Reductions	(80,726)	(39,086)	(117,000)	66,882
Total	2,913,551	2,955,191	2,976,661	3,160,543
Advancement	1,898,216		1,838,932	
Reductions	(216,540)	(213,870)	(71,817)	(47,475)
Total	1,681,676	1,684,346	1,767,115	1,791,457
Finance & Ops	11,688,873		12,048,003	
Reductions	(568,101)	(139,539)	(350,000)	(221,179)
Total	11,120,772	11,549,334	11,698,003	11,826,824
Multi-Year	10,007,591		10,186,015	
Reductions	-	(58,429)	-	657,680
Total	10,007,591	9,949,162	10,186,015	10,843,695

The analysis demonstrates administration’s propensity to cut from the academic envelope instead of the other envelopes. In fact, in no other envelope in both 2006 and 2007 were the budgeted cuts met except the academic envelope, where the cuts were exceeded.

Going Forward

Early indications from members of the Administration is that the \$2.5 million gap between expected revenues and expenditures is going to be closed with proportional cuts to the budgetary envelopes (except for the multi-year envelope which can withstand no further cuts). Applying the 2010/11 proportions leads to the reductions illustrated in the following graph. Are such proposed reductions going to follow the historical pattern?



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