



2004 Advanced Education Budget

Expectations were high for the 2004 provincial budget, given Throne Speech promises to dramatically increase access for BC students. Government clearly feels vulnerable in the area of post-secondary education and has recognized serious public concern about a lack of spaces for students. The Throne Speech promised 25,000 new student spaces by 2010 — as part of a plan to provide a space for every high school graduating with a 75% average grade. The Throne Speech also promised that institutional budgets would increase each year and that the overall advanced education budget would increase by \$105 million by 2006-07. Despite concerns about the long time horizons (to 2010) to meet access goals, the post-secondary community anticipated some big news on budget day.

What to expect in 2004-05

There is more money for institutions in 2004-05 – to the tune of \$40 million more than expected. The overall budget line for institutions increases by \$19 million, which is a 1.3 per cent increase over its 2003-04 level of \$1.4 billion. Given that institutions had been expecting a reduction of \$18 million, based on the 2003 budget plan, there should be some relief in the current year. Institutional allocations are not yet available. The student enrolment targets remained the same as in the previous year's plan – increasing two per cent, from 160,848 to 164,065.

Loss of student grant program

The big news of the day was that the source of “new” funds will largely be money reallocated from student grants, which are being eliminated. BC students saw the first year grant eliminated in the 2002 budget. This year, government finished the job and eliminated all up-front student grants. In his budget speech, Finance Minister Gary Collins said that “in order to start the work of adding new spaces this year, rather than three years down the road, we are also refocusing funds from the current student grant program.”

The elimination of the grant program will mean an estimated average increase in debt of about \$14,000 for BC students according to the Ministry of Advanced Education.

Approximately 23,000 students currently receive grants, 16,000 of whom are in public post-secondary institutions.

Of the approximately \$80 million annual expenditure on grants, the Ministry plans to keep \$50 million within the student aid program – to expand the loan program and to wind-up the grant entitlements to the end of this year. Ministry spokespeople indicate that \$30 million will be reallocated within the ministry budget.

Revised three-year plan

Overall institutional budgets are targeted to grow by about \$57 million – or four per cent – from 2003-04 to 2006-07. The promise of an additional \$105 million in the Ministry budget does not begin to materialize until 2005-06, with only \$57 million being allocated to institutional operating budgets and the remainder going to debt servicing and capital costs. The 2004 budget plan projects enrolment increases of 11,800 student spaces – or 7.3 per cent – from 2003-04 to 2006-07.

The following summary incorporates information from the 2004 budget plan and from the 2003 plan to allow for comparisons between the projections.

Core Businesses	2003/04 Restated Estimates¹	2004/05 Estimates	2005/06 Plan	2006/07 Plan
Operating Expenses (\$000) and Student Spaces (FTEs)				
Educational Institutions and Organizations <i>(2003 budget plan)</i>	1,400,647 <i>(1,400,805)</i>	1,419,138 <i>(1,378,870)</i>	1,431,665 <i>(1,388,290)</i>	1,457,791
Industry Training and Apprenticeship <i>(2003 budget plan)</i>	73,781 <i>(73,781)</i>	77,281 <i>(74,481)</i>	76,981 <i>(74,181)</i>	76,981
Student Financial Assistance Programs <i>(2003 budget plan)</i>	165,429 <i>(165,429)</i>	136,291 <i>(182,225)</i>	137,369 <i>(188,995)</i>	161,456
Debt Service Costs and Amortization of Prepaid Capital Advances <i>(2003 budget plan)</i>	236,500 <i>(236,500)</i>	246,750 <i>(243,120)</i>	263,445 <i>(256,730)</i>	288,232
Executive and Support Services <i>(2003 budget plan)</i>	22,492 <i>(22,492)</i>	19,389 <i>(20,311)</i>	19,389 <i>(20,811)</i>	19,398
Total Funding <i>(2003 budget plan)</i>	1,898,849 <i>(1,899,007)</i>	1,898,849 <i>(1,899,007)</i>	1,928,849 <i>(1,929,007)</i>	2,003,849
Student Spaces (FTEs) <i>(2003 budget plan)</i>	(160,848)	164,065 <i>(164,065)</i>	168,265 <i>(167,346)</i>	172,659

New information on spending and revenue in public sector entities

New in this year's budget is information about revenue and spending by taxpayer supported entities, such as colleges, university colleges, institutes and universities. Government is now including this information as a result of the *Budget Transparency and Accountability Act*, which requires provincial budgets and financial statements to comply fully with generally accepted accounting principles (GAAP) by fiscal year 2004/05.

In the post-secondary sector, the budget reports contain estimates of revenue and spending for universities as a group and for colleges, institutes and university colleges as another group.

As can be seen below the college sector took in more revenue than it spent in the current year (03-04), but anticipates moving into an overall deficit situation by the end of the current plan. Given that this is the first year in which this information is included, it is difficult to determine the accuracy of the estimates of revenue and expenditure for each sector.

Post-Secondary Institutions: 2003/04 - 2006/07 Forecast Amounts

(\$ thousands)	Forecast 2003/04	Budget Estimate 2004/05	Plan 2005/06	Plan 2006/07
Total Revenue	3,205,000	3,269,000	3,370,000	3,453,000
Total Expense	3,179,000	3,260,000	3,365,000	3,457,000
Operating Results	26,000	9,000	5,000	(4,000)
Net Results	26,000	9,000	5,000	(4,000)
Colleges, institutes university colleges				
Revenue	1,339,000	1,325,000	1,345,000	1,356,000
Expense	1,321,000	1,324,000	1,349,000	1,367,000
	18,000	1,000	(4,000)	(11,000)

Compensation

Government confirmed that its mandate for collective agreement negotiations is 0 per cent through to 2005-06, but recognized that public sector employers "may address legitimate skills shortages through market adjustment increase". Budget documents indicate that government has not provided "incremental funding" to cover these market adjustments.

Capital funding

The 2004 budget plan identifies \$665 million in government funding from 2004-05 to 2006-07 to support new construction and facility upgrades in the post-secondary education sector. The plan indicates that post-secondary institutions will spend an additional \$313 million for other projects from "own-source" revenues. Projects identified in the budget plan include: the UBC Life Sciences Centre, medical facilities at UNBC and UVIC, BC Knowledge Development Fund projects, and rehabilitation, replacement and expansion of existing post-secondary facilities throughout BC.

Ongoing development of accountability measures

The 2004 service plan includes a new set of three-year targets for 25 performance measures within the accountability framework for the Ministry of Advanced Education.

Baseline data have been developed and/or updated in a number of areas and some measures have been removed while new measures have appeared.

New measures in the 2004 framework include:

- program completion measure (measure under development)
- post-secondary participation rates;
- transfer volume measure (volume of credits transferred, measure under development)

Some measures have been removed – most notably given the change in student aid – the measure of the ratio of median debt to median income of graduates. Also missing from the current plan is the mandate review – which began last fall. No report or follow-up process has been initiated by government to date.

The full service plan and accountability framework can be viewed at <http://www.bcbudget.gov.bc.ca/sp2004/aved>.