

# UNIVERSITY NEWSBEAT

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## YORK UNIVERSITY...THE FINANCIAL OUTLOOK

by President H. Ian Macdonald

Everybody is aware, or by now should be aware, that universities across the country have been trying to cope with worsening financial conditions for the past several years.

In Ontario, where government university funding has recently skidded to last place relative to all other provinces, the problem may be more acute than elsewhere. While York is not one of the universities in the bleakest of financial positions, we are currently facing grave difficulties which we must take both immediate and long-range steps to overcome if the institution is to remain financially viable. The extent of our present difficulties became apparent in June when year-end financial figures for 1980-81 became available. On June 29, the Board of Governors, which is responsible for the finances of the University, met to consider the implications of that information.

It is not my intention to cause undue concern about the future of this University. York University is alive and well and with reasonable care will continue to be the exciting academic institution that has gained a national and growing international reputation. But we do face serious financial problems and we must cope with them now before they become uncontrollable and deal with us. Being in the crucible can either bring us closer together in successfully seeking solutions to our problems or drive us further apart and destroy us as a community. The choice is clearly ours.

While I appreciate that financial reports and figures do not make the lightest of reading matter, I strongly urge all members of our community to read this report thoroughly. If we are to plan our way around and through our difficulties, we must all work together. And to do that, we must all understand exactly what the problems are and what solutions are being considered and proposed.

In the spring of 1980, the Board of Governors approved a recommendation from the administration that there be a "no-cut" budget for 1980-81. To allow that, permission was granted to run a deficit of up to 1.5 percent of the operating budget or \$1.25 million. During the year, over-expenditures were created in several areas and, when final figures were available, the University had exceeded the planned budgetary deficit by \$766,000, resulting in a total deficit of \$1.9 million (see Statement of Operating Income and Expense). Without corrective action, the cumulative deficit would go as high as \$5 million by the end of the 1981-82 fiscal year.

Running a deficit is a legitimate and often effective way of working around financial difficulties. We have done it previously at York University. But there are a number of conditions to be considered. One is that the burden of carrying that deficit (a burden that can be particularly onerous at current

interest rates) must not be so great as to exacerbate the problem rather than abate it, and another is that there must be at least a glimmer of light at the end of the tunnel. In other words there must be clear indications that the financial picture will brighten and the deficit be reduced over some schedule of time.

The cost to the University of carrying a deficit of almost \$2 million at today's interest rates is obvious. Although we continue our crusade against underfunding, only the most confident optimist would predict that there will be a sudden turnaround in government policy to reverse the continuing trend of underfunding thereby putting us in a position to wipe out or at least significantly reduce the burden of this deficit.

Government underfunding and not declining enrolments is the root cause of the universities' financial problems. At York we continue to attract more students every year. But we can barely maintain our current levels of enrolment at acceptable standards let alone grow much more with continuous less-than-inflation grants from the province.

I, like many other university presidents as well as representatives of numerous councils and associations with university interests at heart, have made dozens of speeches and written numerous articles and produced endless reports detailing the critical underfunding and the inevitable results upon the system. Governments have the message and so does the media; it has been pleasing in recent months to see more and more articles and editorials siding with the universities in their protests against financial strangulation.

On June 23, the Executive and Finance Committees of the Board of Governors met jointly to receive the financial report from the administration. In essence, a cut of 1 percent in the 1981-82 base budget (with a possibility for deferral by certain units for one year) and a further cut of up to 3 percent in 1982-83 was proposed by those Committees.

In addition, I suggested a number of organizational changes including: the establishment of a Task Force to look into new sources of income; an enhanced role for the Advisory Committee on Recruitment; the Budget Subcommittee (of the Policy Committee) to be replaced by an Institutional Planning Committee chaired by myself, in which coordination of plans for the cuts in 1982-83 would occur; the delegation of responsibility to the Vice-Presidents for the allocation of the total cut in their areas; that a Task Force on resource sharing and redeployment of academic staff be established; and that a Task Force on personnel policy in the face of such cuts be set up. The Finance and Executive Committees agreed to recommend those procedures to the Board.

On June 29, the Board of Governors met to consider those proposals and made certain qualifications, notably that the 1981-82 cut be at least 1 percent with no opportunity for deferrals and that the 1982-83 cut be at least 3 percent. Certain other actions were proposed and a further meeting of the Executive and Finance Committees was scheduled for early August in order to receive a progress report on implementation of these decisions.

On July 2, I sent a

memorandum to all members of the Policy Committee informing them of these developments and asking for their cooperation in helping to solve our budgetary problems.

Over the next few weeks and months, we will require support and cooperation from all sectors and individuals within our community as we work out resolutions to our present problems. The difficulties we face are not insurmountable, although the solutions will not necessarily be simple, quick, or

painless. And how we cooperate together in searching for and applying those essential remedies will be an important factor in deciding how effective those actions will be.

We have just concluded a year of celebrating the incredible achievements of this institution over the past twenty years. We must now apply ourselves with all our energy and wisdom and objectivity in planning to maintain and to extend our successes during the decades to come.

### Preliminary Statement of Operating Income and Expense For the Year Ended April 30, 1981 (\$000)

Below is the preliminary statement of operating income and expense for the year ended April 30, 1981. It has been finalized by the Comptroller and is now being audited by the University's external auditors.

This statement reflects a deficit of \$1,924,000 for the year's operations, prior to any final adjustments. This exceeds the deficit that was budgeted for the year by \$766,000.

However, it should be noted that in planning the 1981-82 budget, the actual deficit for 1980-81 was forecast at \$1,132,000. The variance between this figure and the final deficit is \$792,000.

Some variations from the following statement may occur in the final audited Balance Sheet due to year-end re-categorization of some account balances. However, the overall "fund" balance will not vary.

	Budget	Actual	Variance
<b>INCOME</b>			
<b>Ordinary Income</b>			
Grants: Formula	\$ 63,128	\$ 63,128	
Supplementary adjustments	(245)	(245)	
Bilingual	173	173	
Municipal taxes	569	569	
<b>Total Grants</b>	<b>63,625</b>	<b>63,625</b>	
Fees: Academic (including new initiatives)	14,868		
Supplementary academic	675		
Additional new initiatives	113		
Visa—student surcharges	1,150		
<b>Total Fees:</b>	<b>16,806</b>	<b>16,812</b>	<b>\$ 6</b>
Other Income:			
Campaign Funds	725	725	
Scholarships and bursaries	370	461	91
Miscellaneous	1,296	1,325	29
External cost recoveries	3,431	3,237	(194)
Carry-forwards from 1979/80	455	455	
<b>Total Other Income</b>	<b>6,277</b>	<b>6,203</b>	<b>(74)</b>
<b>Total Ordinary Income</b>	<b>86,708</b>	<b>86,640</b>	<b>(68)</b>
<b>Special Income</b>			
Ancillary services	10,817	10,925	108
Grant-debenture interest	6,732	6,732	
Assisted research	5,900	6,034	134
Non-degree courses	1,451	1,512	61
<b>Total Special Income</b>	<b>24,900</b>	<b>25,203</b>	<b>303</b>
<b>Total Income</b>	<b>\$111,608</b>	<b>\$111,843</b>	<b>\$ 235</b>
<b>EXPENSE</b>			
<b>Ordinary Expense</b>			
Academic	\$ 54,707	\$ 55,146	\$ (439)
Academic support	10,389	10,307	82
Physical plant, etc.	11,165	11,042	123
Administration	5,456	5,548	(92)
General Institutional:			
General institutional - Miscellaneous	1,567	1,579	(12)
General institutional departments	727	787	(60)
Student services and colleges	3,182	3,249	(67)
Scholarships and bursaries	701	778	(77)
<b>Total General Institutional</b>	<b>6,177</b>	<b>6,393</b>	<b>(216)</b>
<b>Total Ordinary Expense</b>	<b>87,894</b>	<b>88,436</b>	<b>(542)</b>
<b>Special Expense</b>			
Ancillary services	10,808	11,077	(269)
Grant-debenture interest	6,732	6,732	
Assisted research	5,900	6,034	(134)
Non-degree courses	1,432	1,488	(56)
<b>Total Special Expense</b>	<b>24,872</b>	<b>25,331</b>	<b>(459)</b>
<b>Total Expense</b>	<b>\$112,766</b>	<b>\$113,767</b>	<b>\$(1,001)</b>
<b>Excess (deficiency) of total income over total expense for the year</b>	<b>\$ (1,158)</b>	<b>\$ (1,924)</b>	<b>\$ (766)</b>