UNIVERSITY OF TORONTO

OFFICE OF THE VICE PRESIDENT & PROVOST

TO: **Planning and Budget Committee**

SPONSOR: Cheryl Misak, Vice-President and Provost

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DATE: For meeting on March 3, 2010

AGENDA ITEM: **8**

ITEM IDENTIFICATION

Long Range Budget Guidelines: 2010-11 to 2014-15 and Budget Report for 2010-11

JURISDICTIONAL INFORMATION

Excerpt from the terms of reference for the Planning and Budget Committee:

4.3.2. The annual budget is considered by the Committee for recommendation to the Academic Board. [The concurrence of the Business Board is sought in regard to fiscal soundness before it is forwarded to Council.]

HIGHLIGHTS

Despite facing pressing and ongoing financial challenges, the University plans for a balanced budget in 2010-11. It must be emphasized that the University encountered extraordinarily difficult financial circumstances in 2009-10 and the impact of this will be strongly felt in the upcoming years. While the revenue outlook has improved somewhat since a year ago, projected revenues over the five-year budget cycle remain constrained and uncertainty in government funding and pension liabilities remains a significant concern. Tuition revenues have increased, but the University continues to draw down tuition revenues for student aid and support in light of its strong and continuing commitment to accessibility. There is particular concern about the fact that, despite the addition of thousands of new PhD-stream students to the Ontario system, there has been no increase in the number of awards available under the OGS program since 2005. It is unclear whether the Government of Canada will be enhancing its share of student loans and graduate scholarships/fellowships, but early signals suggest that a new program of post-doctoral funding is likely to be the centrepiece investment in education and training.

Other than some minor adjustments to the funding of graduate spaces and a small increase in quality funding, the provincial government has not announced any changes in the funds available for post-secondary education. The system shortfall for undergraduate spaces is likely to exceed

$100M. The University is therefore at risk of receiving discounted funding for undergraduate enrolment increases over 2004-05 in each of the next two years. Moreover, demographic projections suggest that enrolment pressures will continue until at least 2015, increasing the potential for debilitating pro-ration of per-student grants in the absence of growth-related funding from the Government.

The tuition framework expires in 2010 and in the absence of a new one the University will assume a continuation of the same parameters mandated in the expired framework.

Federally, the long-awaited increase in funding for the full cost of research has not materialized. This means that growth in granting council budgets, while highly desirable, has the perverse effect of intensifying the pressure on the operating budget with each new grant dollar won.

FINANCIAL AND/OR PLANNING IMPLICATIONS

Total revenue is projected to increase from $1438M in 2009-10 to $1573M in 2010-11. A large portion of this increase is in tuition revenues generated from the flow-through of higher enrolment levels and increases in tuition fees of 4.31% on average for domestic students and 6% on average for international students. Only a very modest increase of $11.5M is projected for the operating grant, which is primarily due to graduate expansion and a minor addition to quality funds. After taking into account increased expenditures on student aid and funding for shared-infrastructure the incremental net revenue available to the academic divisions in 2010-11 is $93.4M.

Academic divisions have many expenses they must fund from the incremental net revenue available to them. At a minimum, increases in compensation costs, graduate student support, capital debt-service support, and repayment of divisional accumulated deficits are estimated to be about $52M in 2010-11 and $245M over the planning period, based on the budget assumptions and the available enrolment and capital project estimates. Additional funds totaling $12.2M must be set aside to fund deficit repayments in 2010-11 and $43M over the planning period.

In addition, the pension deficit must be addressed. A number of alternative pension funding strategies are being reviewed. Until a revised strategy is approved, the budget continues to include the annual pension special payment amount of $27.2M, in accordance with the current pension funding strategy as approved by Business Board. Once a new strategy is approved the operating budget is expected be adjusted in 2011-12. One projection of the potential impact of a new strategy suggests an additional base commitment of $49M could be required, with some indexing in outer years to reflect compensation increases. While the filing is not required until July 1, 2011 (absent any pension plan changes) the revised funding strategy may recommend that funds be set aside starting in 2010-11.

The University entered the 2009-10 fiscal-year with an accumulated deficit of $43.9M, and a planned in-year deficit of $45M. The University has made a deficit repayment of $11.2M in 2009-10, as scheduled, and the draw on the Deficit Fund was $17.8M. Hence, the projected accumulated deficit at the end of 2009-10 is $50.5M. It should be noted that in-year variances do not impact the accumulated deficit as they are assigned back to academic divisions on a slip-year basis. The previously scheduled repayment plan of $11.2M each year over the next two years will continue, with a final payment of $10.3M in 2012-13. In addition, the planned in-year deficit of $17.8M in 2009-10 will be repaid over a five-year period, with equal installments of $3.6M.

RECOMMENDATION

> THAT the *Budget Report, 2010-11*, which includes the long-range budget projections for 2010-11 to 2014-15 and the budget for 2010-11, be approved.