

Tuition Fees Student Aid Budget Report 2012-13



UNIVERSITY OF
TORONTO

Governing Council

April 11, 2012

Discussion

Context

Enrolment and Revenue

Student Aid

Expenses

Structural Deficit Challenge

Fiscal Context

- Recent Provincial and Federal budgets designed to address deficits (~\$16 billion, ~\$30 billion)
- 1.9% annual growth to 2014-15 for PSE sector
- Enrolment expansion continues
- Tuition framework continues
- Significant need for capital funding to keep pace with enrolment growth and aging infrastructure

2012 Provincial Budget

(subject to Legislature's approval)

- Extension to 2017-18 for enrolment expansion: full funding of the 60,000 spaces
- Some student aid programs terminated → OTSS, Work Study, Special Bursaries
- International Student Recovery: tax on international non-PhD students phased in starting 2013 at \$825 per FT student (\$6M)

2012-13 Overview

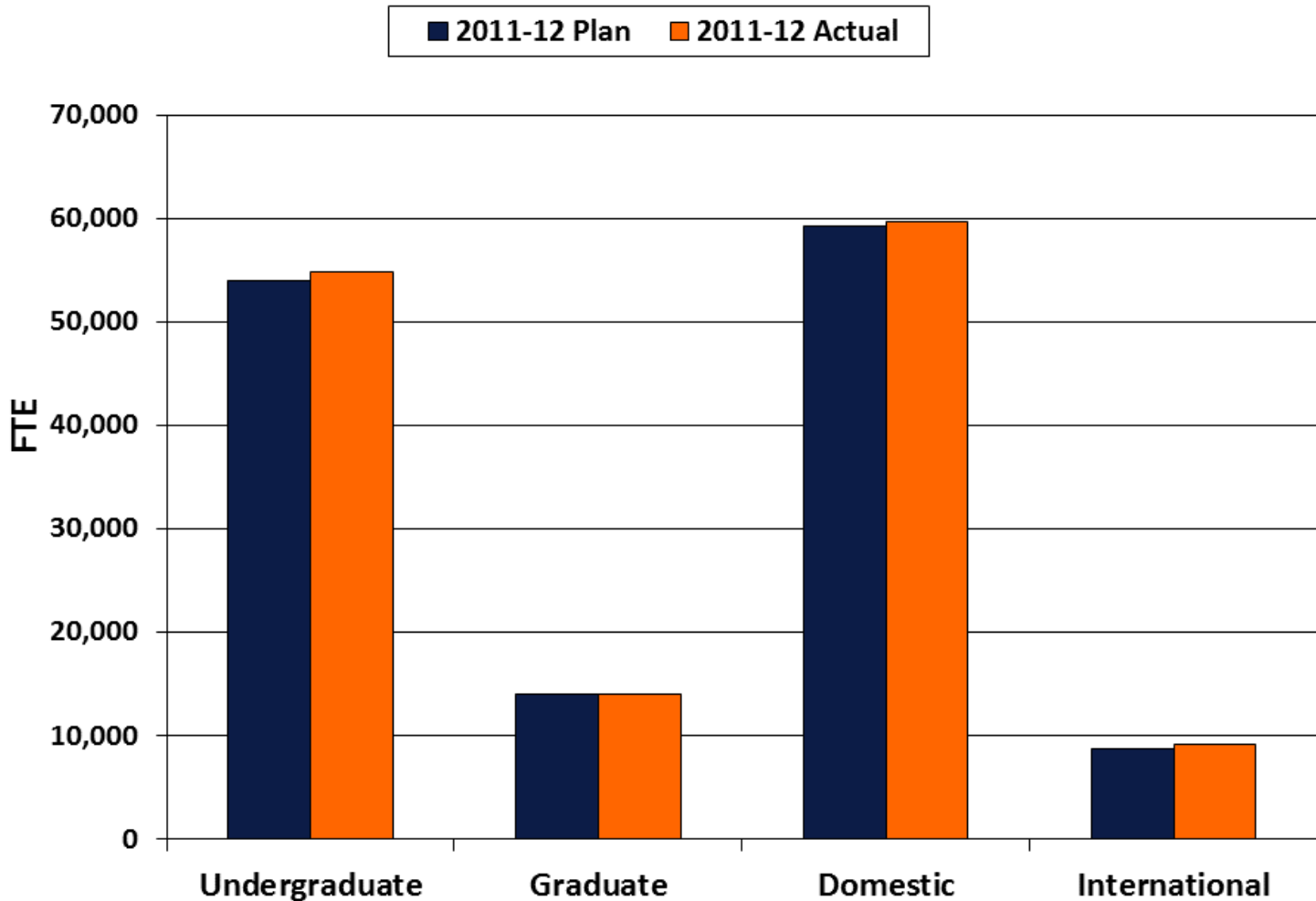
- Balanced budget at the institutional level
- Final year of paying down institution-wide accumulated deficit
- Enrolment expansion continues: UG and grad
- Pension challenges continue: base payments:
 $\$27 + 30 + 20 + 10 + 5 + 5 = \97

ENROLMENT & REVENUE

Enrolment plans

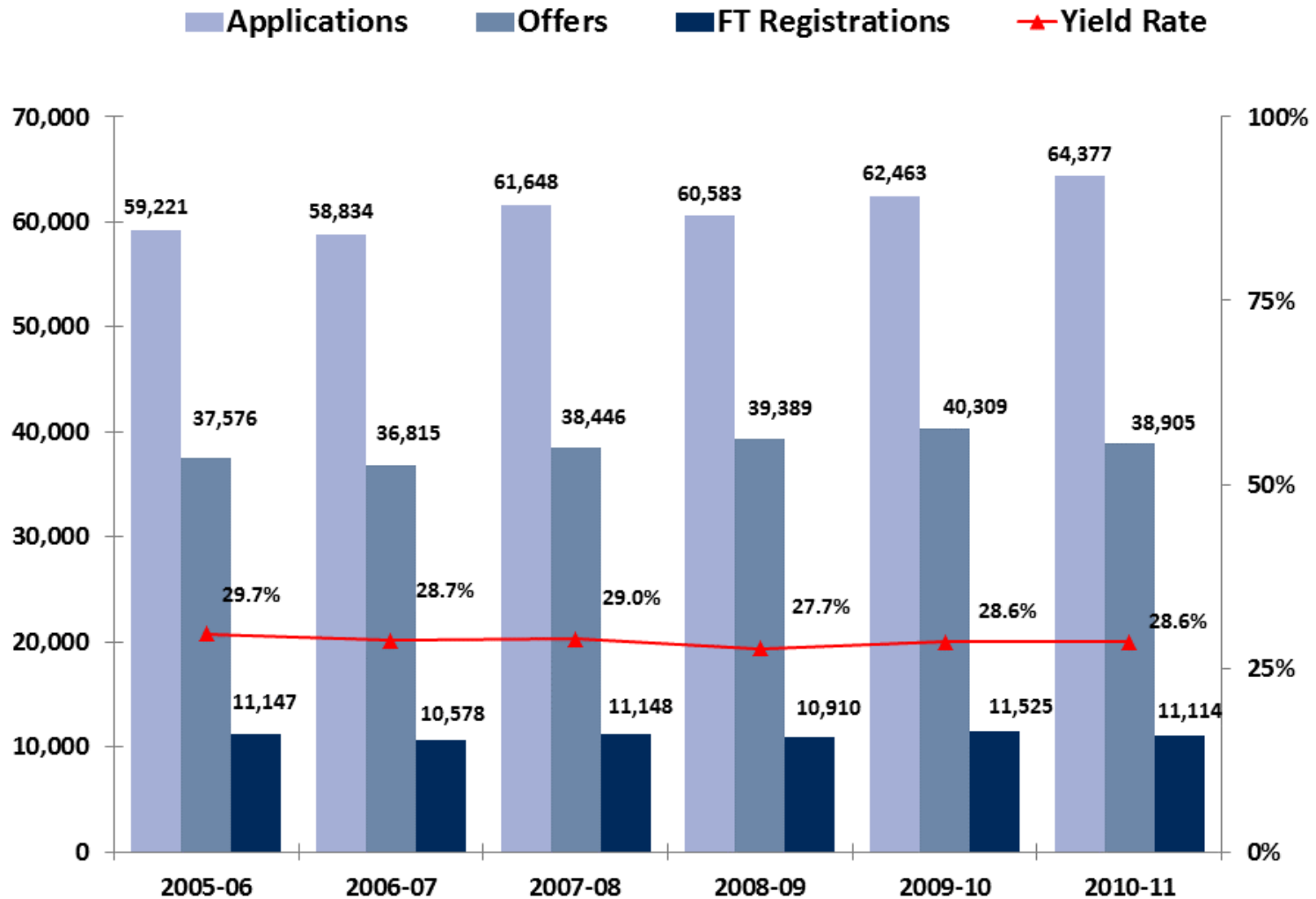
- Five-year UG expansion at UTM +2663 FTE and UTSC +2361 FTE
- UG expansion in Architecture, Kinesiology, Music
- UG A&S St. George holding intake at 2011 level
- Plans call for UG international growth in three A&S divisions and Engineering
- Professional masters growth across all three campuses
- PhD growth planned in most divisions

2011-12 Enrolment: plan vs. actual



Direct-Entry Undergraduate

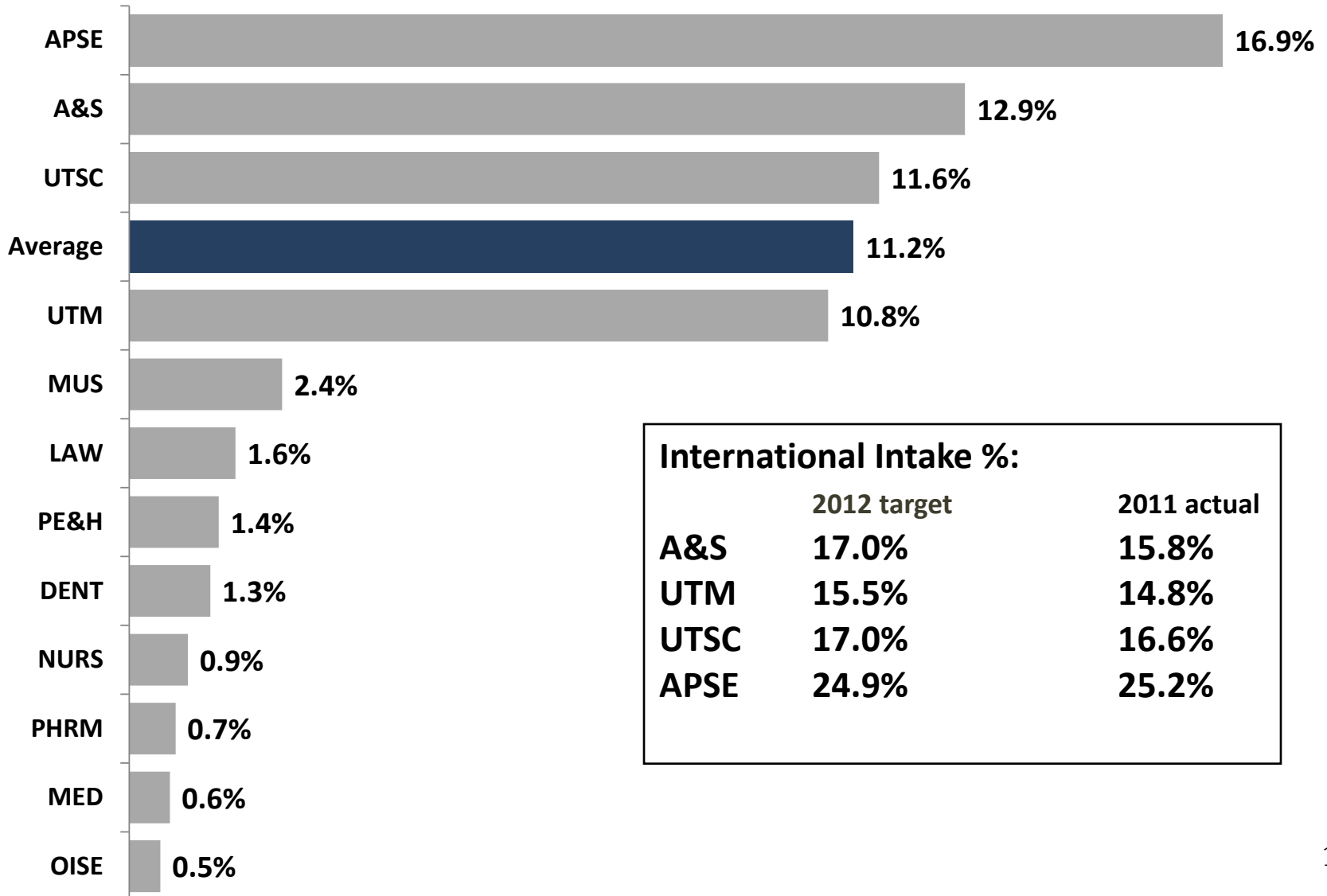
Applications, Offers, Registrations and Yield Rates



Summary of Undergraduate Enrolment Plans

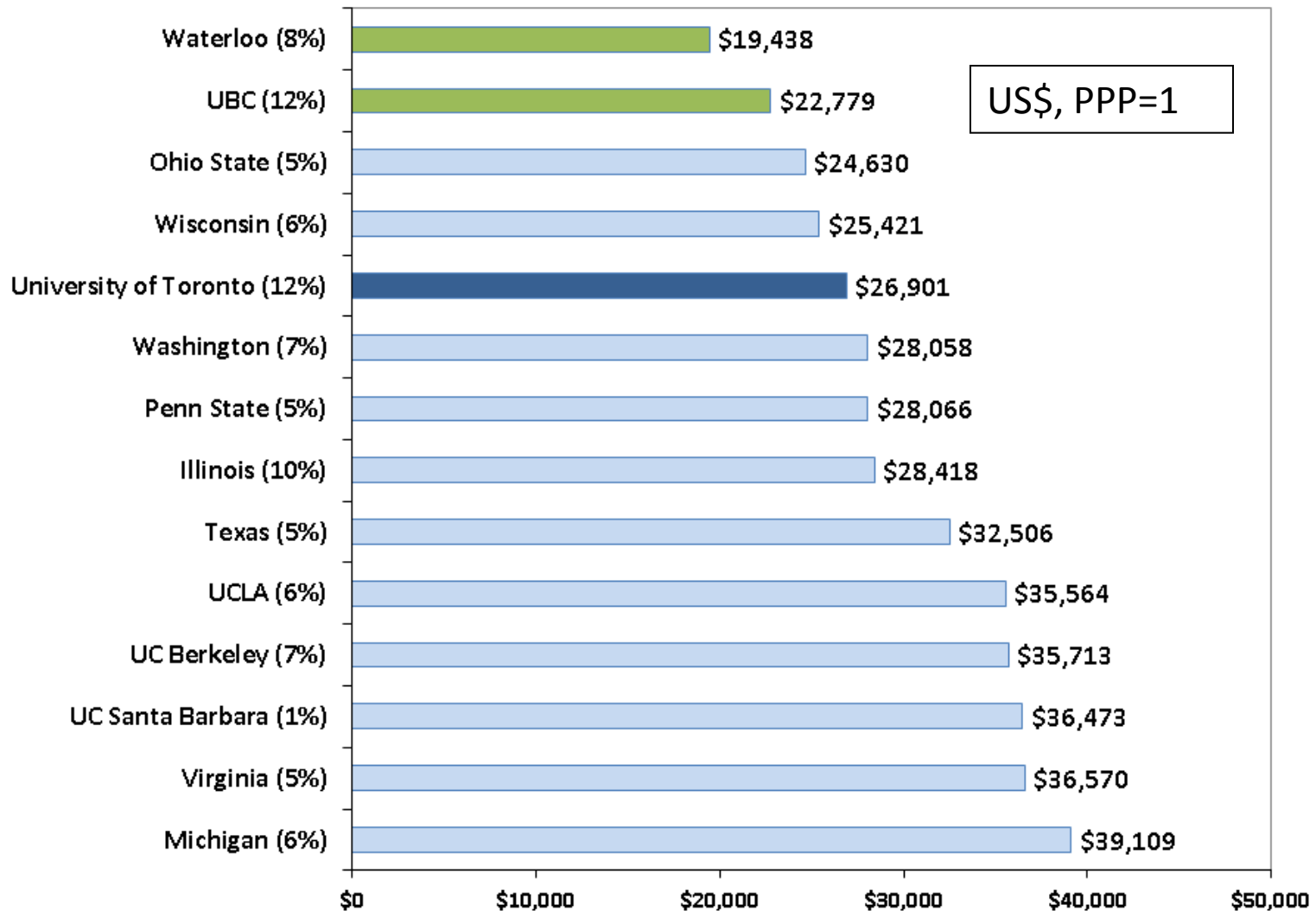
FTE	2011	2012	2016
UTM Undergrad	9,698	10,037	12,361
UTSC Undergrad	8,727	9,250	11,089
St G Undergrad	35,962	36,051	35,971
Total UG	54,387	55,338	59,421

International UG FTE as % of Total



International Intake %:		
	2012 target	2011 actual
A&S	17.0%	15.8%
UTM	15.5%	14.8%
UTSC	17.0%	16.6%
APSE	24.9%	25.2%

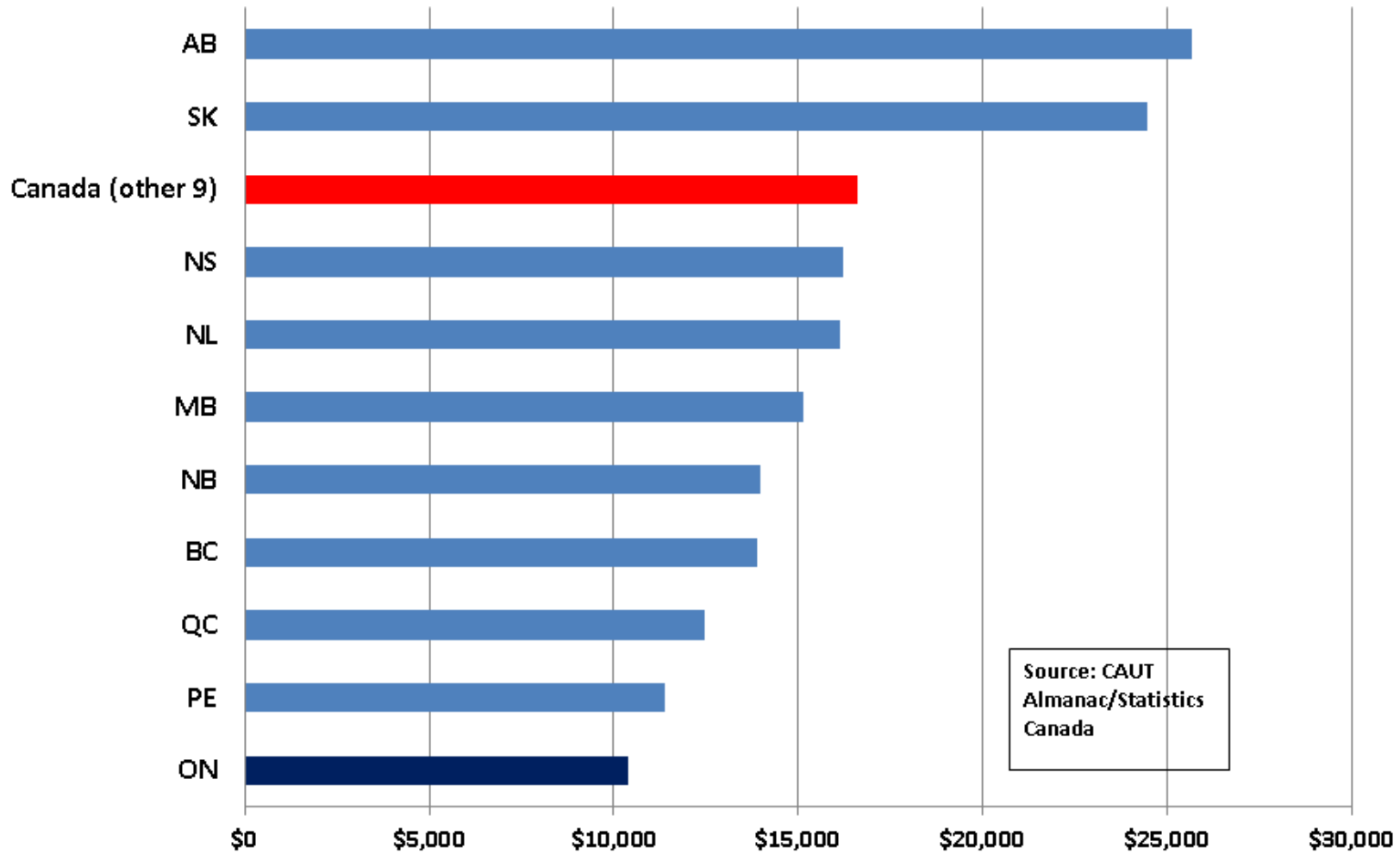
Arts and Science International UG Tuition Fee 2011-12



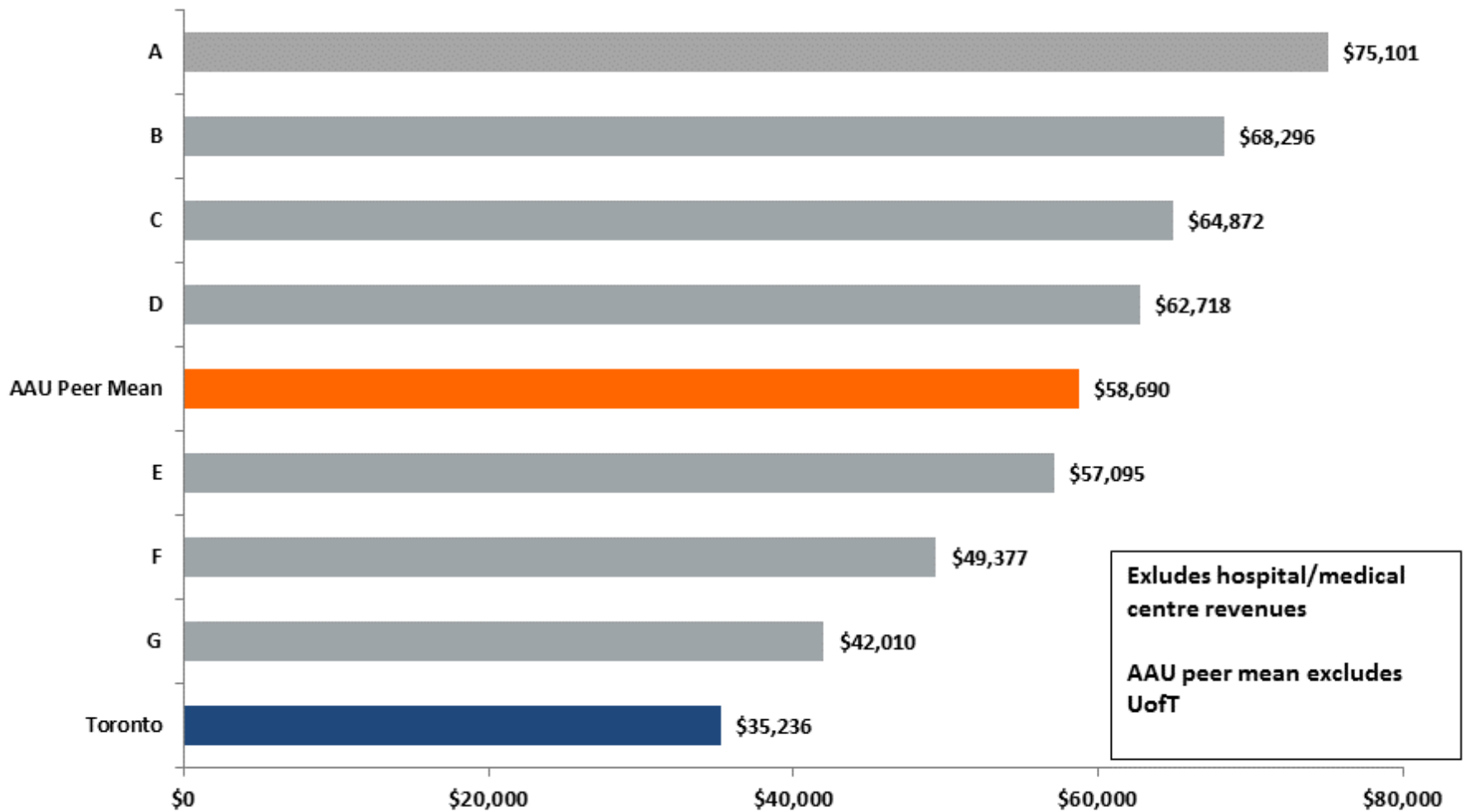
Summary of Graduate Enrolment Plans

FTE	2011	2012	2016
Professional Masters	5,364	5,656	6,514
Doct. Stream Masters	2,720	2,843	3,059
PhD	5,998	6,099	6,709
Total Graduate	14,082	14,598	16,282

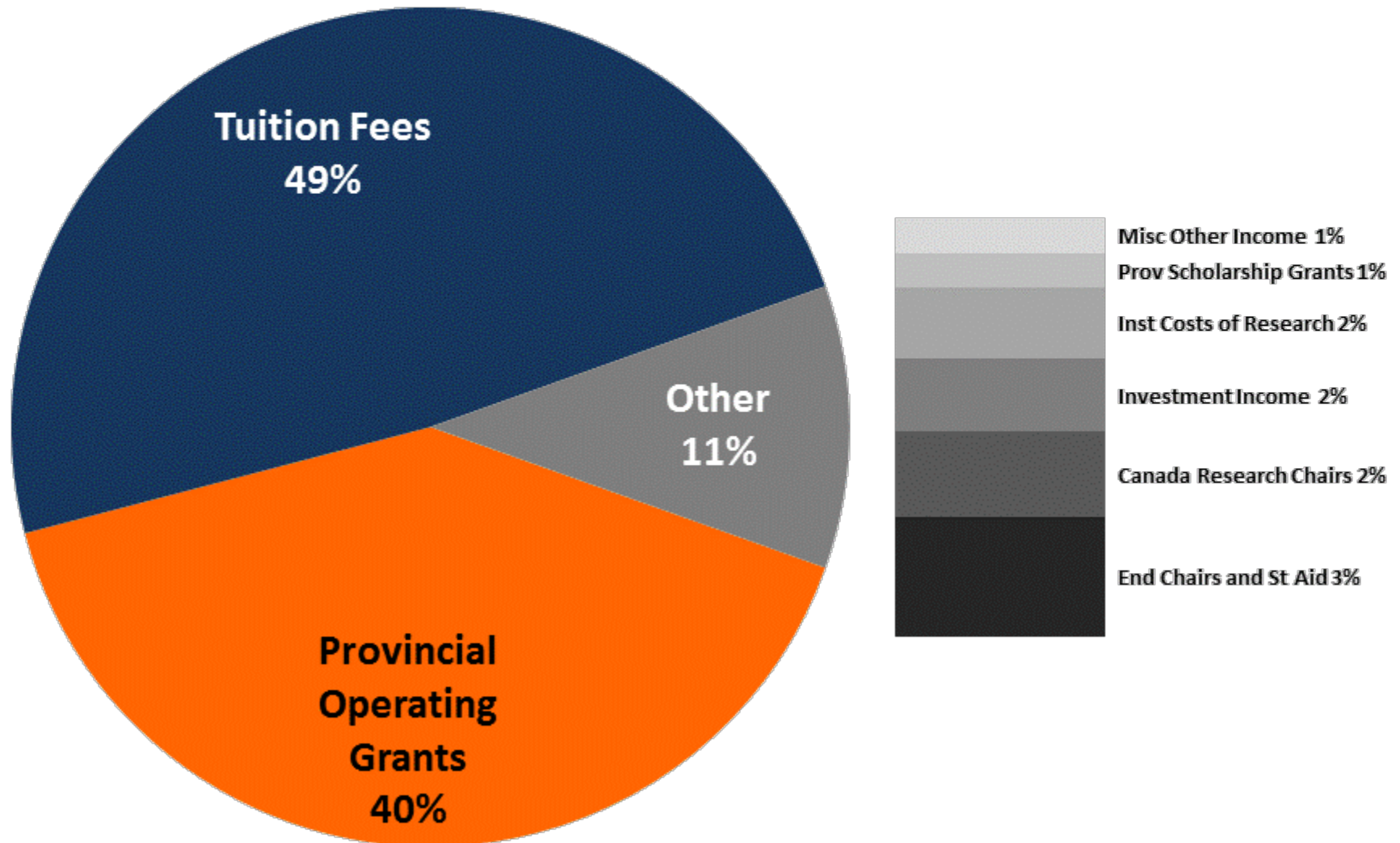
Provincial Government Transfers to Colleges and Universities per Student FTE 2008-09



Comparison of University of Toronto to AAU Peers: Total Revenue per Student FTE 2009-10 (US funds)



2012-13 Projected Total Operating Revenue (excl Divisional Income) \$1.6 billion



Incremental Revenue 2012-13 \$100M

(excluding divisional income)

\$M	2011-12	2012-13	\$ increase	% increase
Grants	637.7	647.1	9.4	1.5%
Tuition *	697.7	779.1	81.4	11.7%
Endow.	45.2	49.5	4.3	9.6%
Other	122.3	126.7	4.4	3.6%
Total	1502.9	1602.5	99.6	6.6%

***Increases in tuition revenue are the result of a combination of higher enrolment and increases in tuition rates**

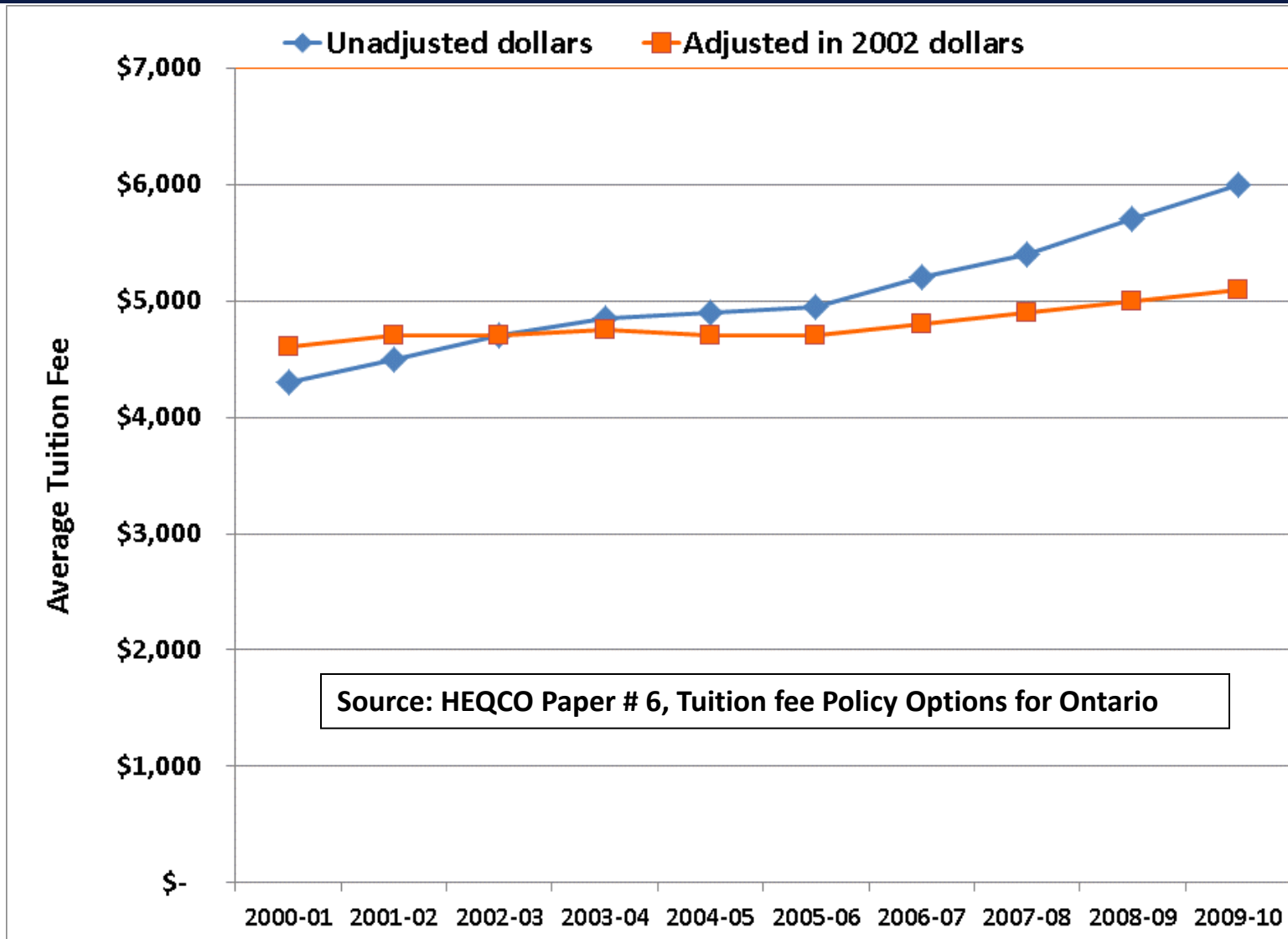
Divisional income 2012-13: \$198 (11% of total) → Total revenue = \$1801

Tuition revenue will increase by \$81M in 2012-13 (if no change in Tuition Framework)

Source of tuition revenue increase	\$M
Higher enrolment and previously approved tuition increases flowing through to upper years	45.2
International tuition changes (avg. 6.35%)	14.4
Domestic tuition changes (avg. 4.3%)*	21.5
Total Increase	81.4

* 92% of domestic students will see an increase between 4% and 4.5%

Ontario University Tuition 2000 to 2009



STUDENT AID

Student Aid Policy

UofT Policy 1998

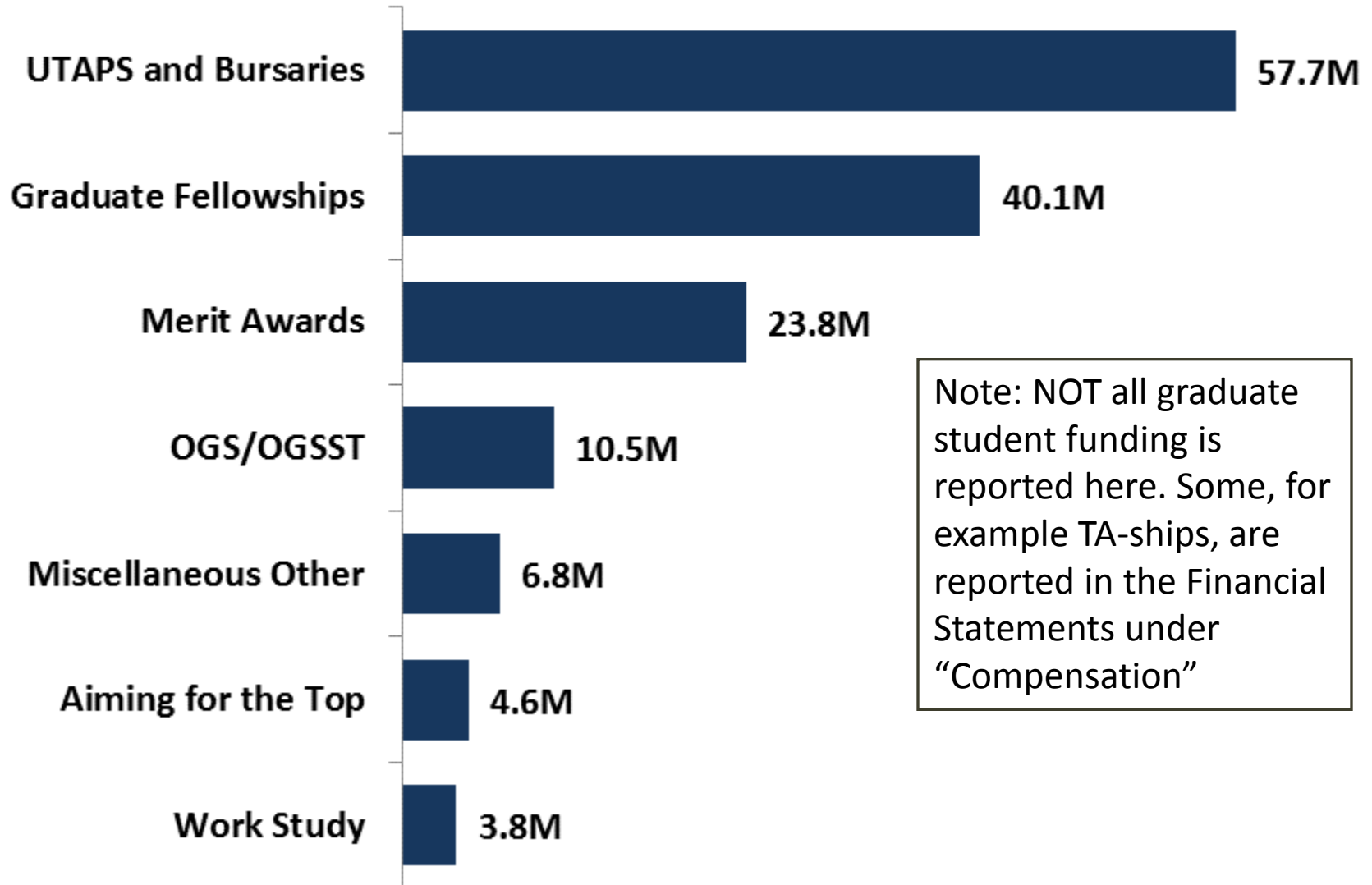
No student offered admission to a program at the University of Toronto should be unable to enter or complete the program due to lack of financial means

MTCU Student Access Guarantee (SAG)

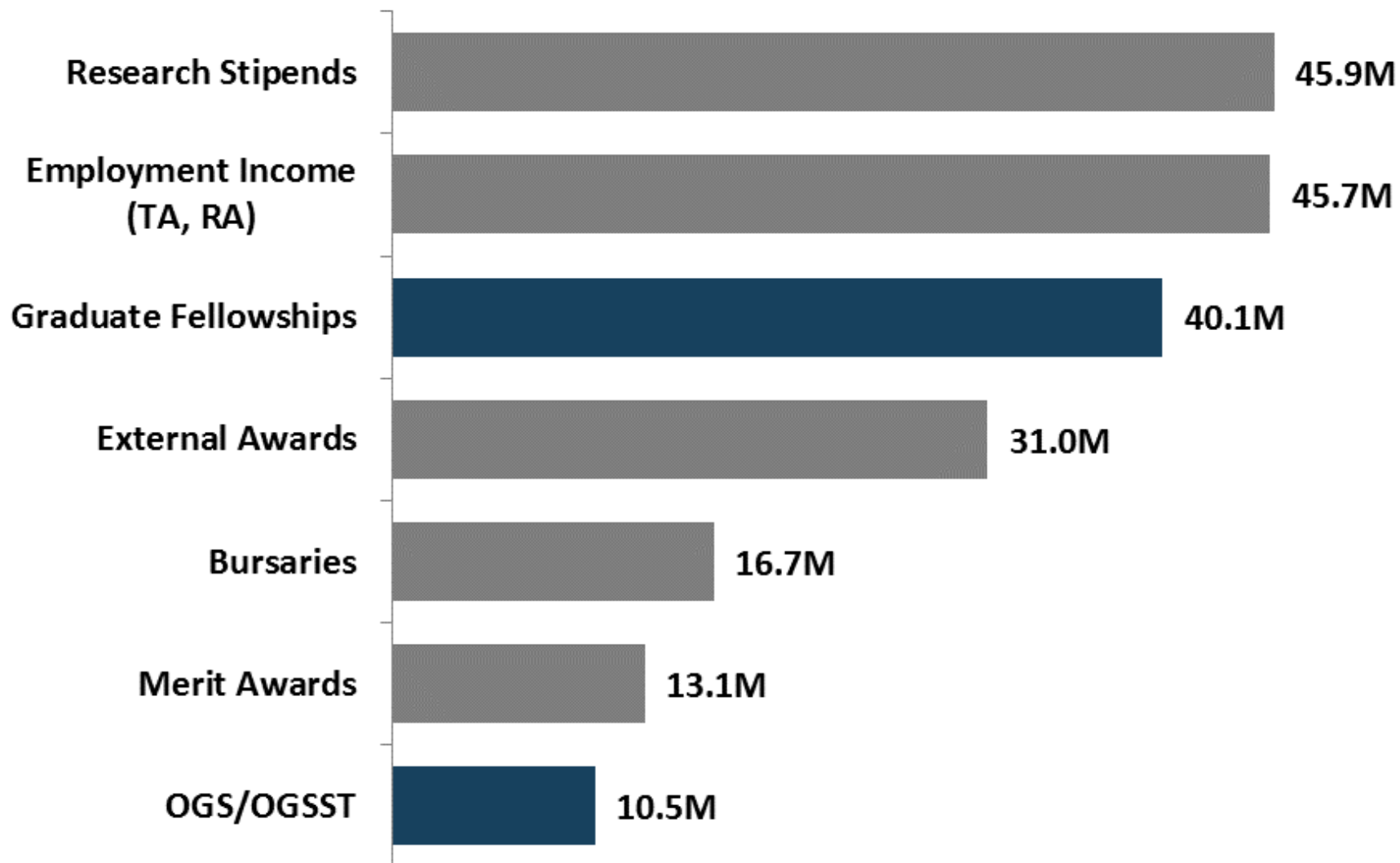
No qualified Ontario student should be prevented from attending ... due to lack of financial support programs

Students should have access to the resources they need for their tuition and books and mandatory fees.

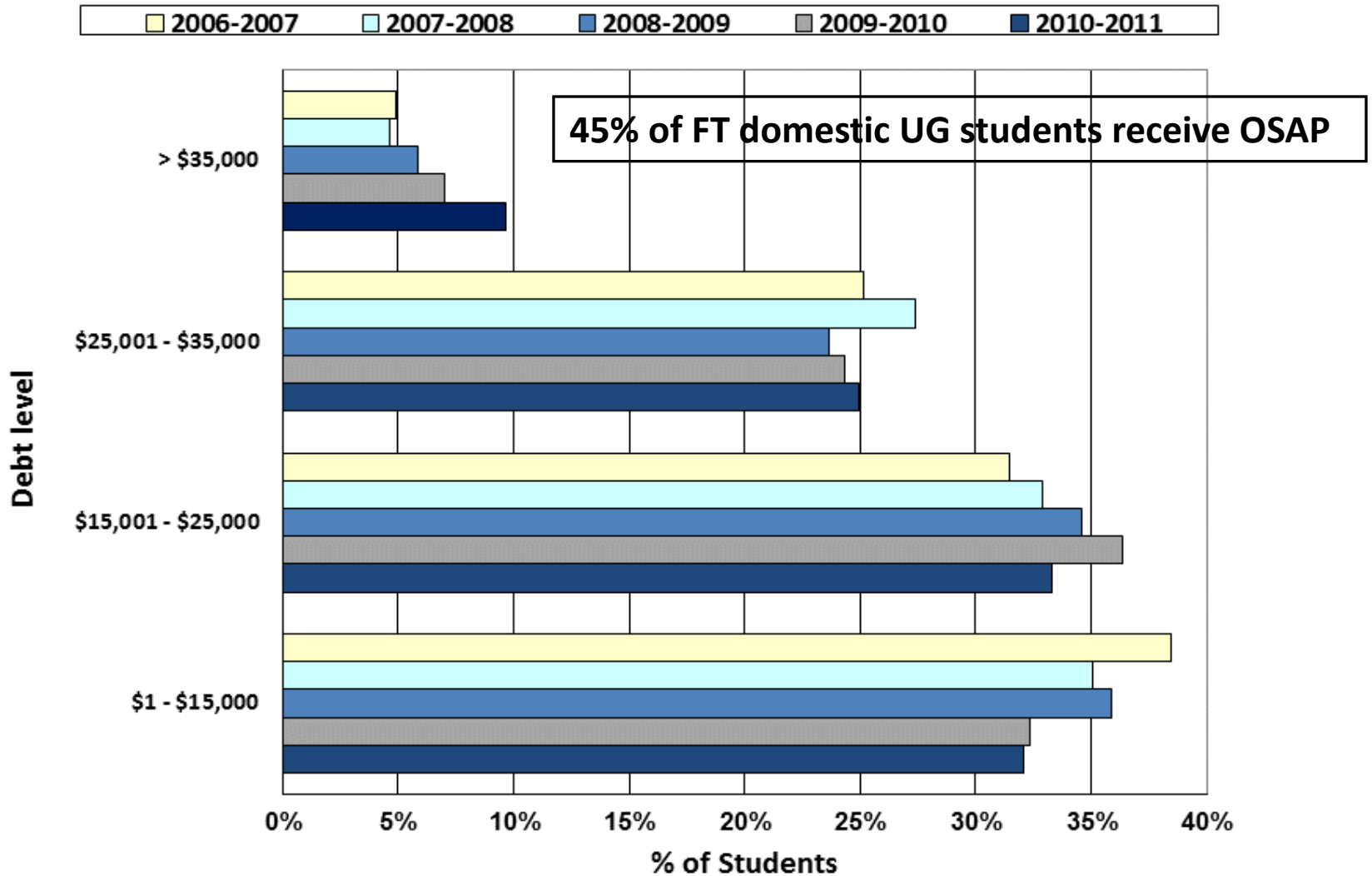
University of Toronto Student Assistance 2010-2011
Total=\$147.3M



Sources of Financial Support for Graduate Students 2010-2011
Total=\$202.9M



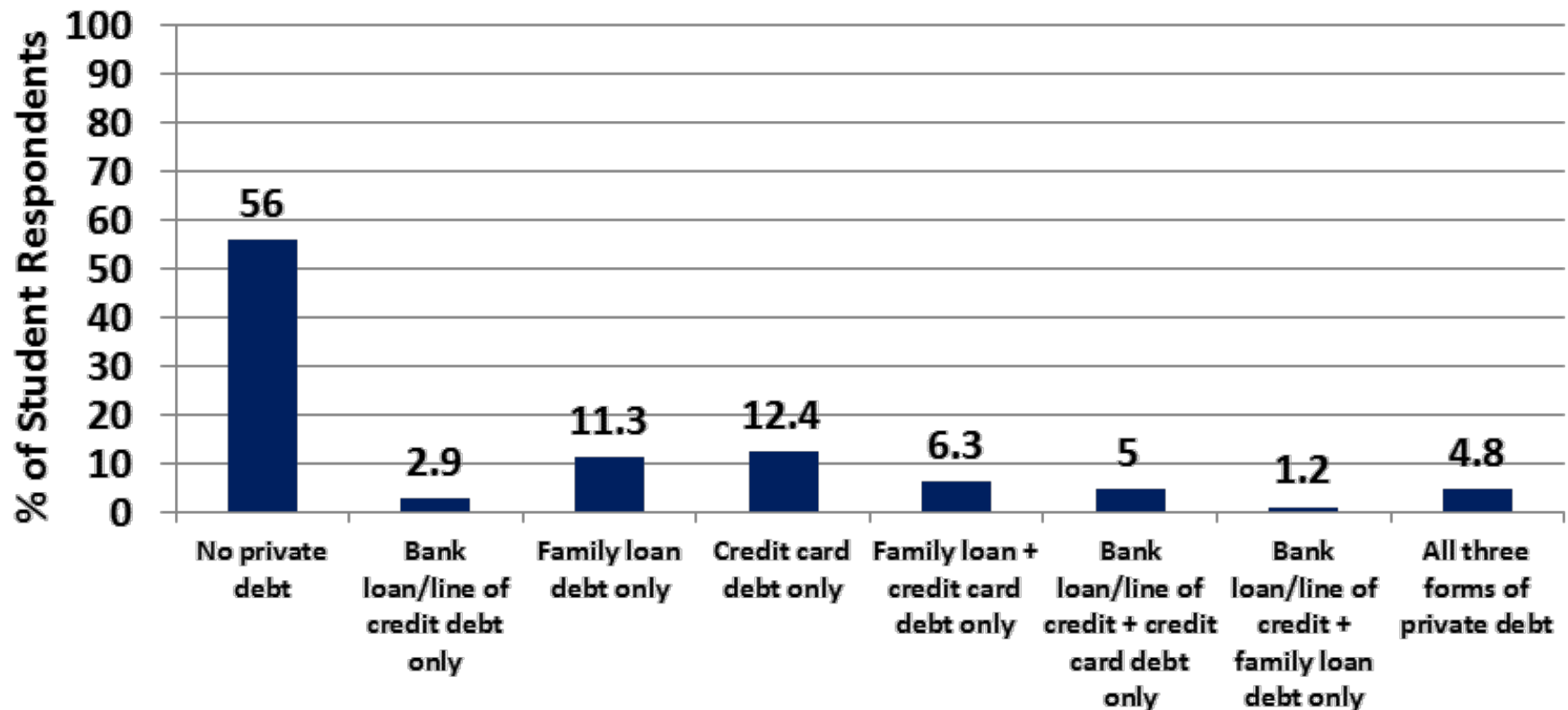
Students with OSAP Debt Graduating from Direct-entry Programs (2010 dollars)



Student Debt Survey

(direct-entry graduates June 2011)

Percentage of Respondents With and Without Private Debt



24.5% of respondents have private AND OSAP debt

Ontario Tuition Grant

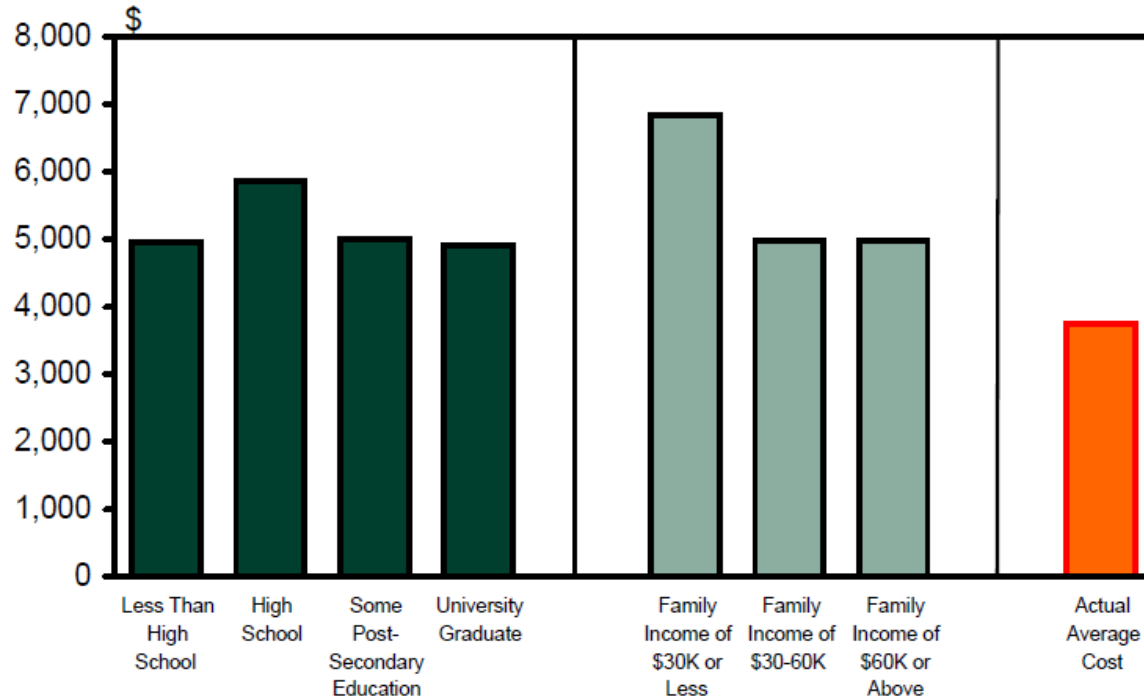
\$1600 OTG announced by Province

- Effective January 1 , 2012
- Full time students
- Parental income < \$160,000
- Ontario resident
- Direct-entry programs
- Up to 4 years out of high school

Few details available yet on impact of grant on Student Access Guarantee and operating budget.

Perceptions of tuition

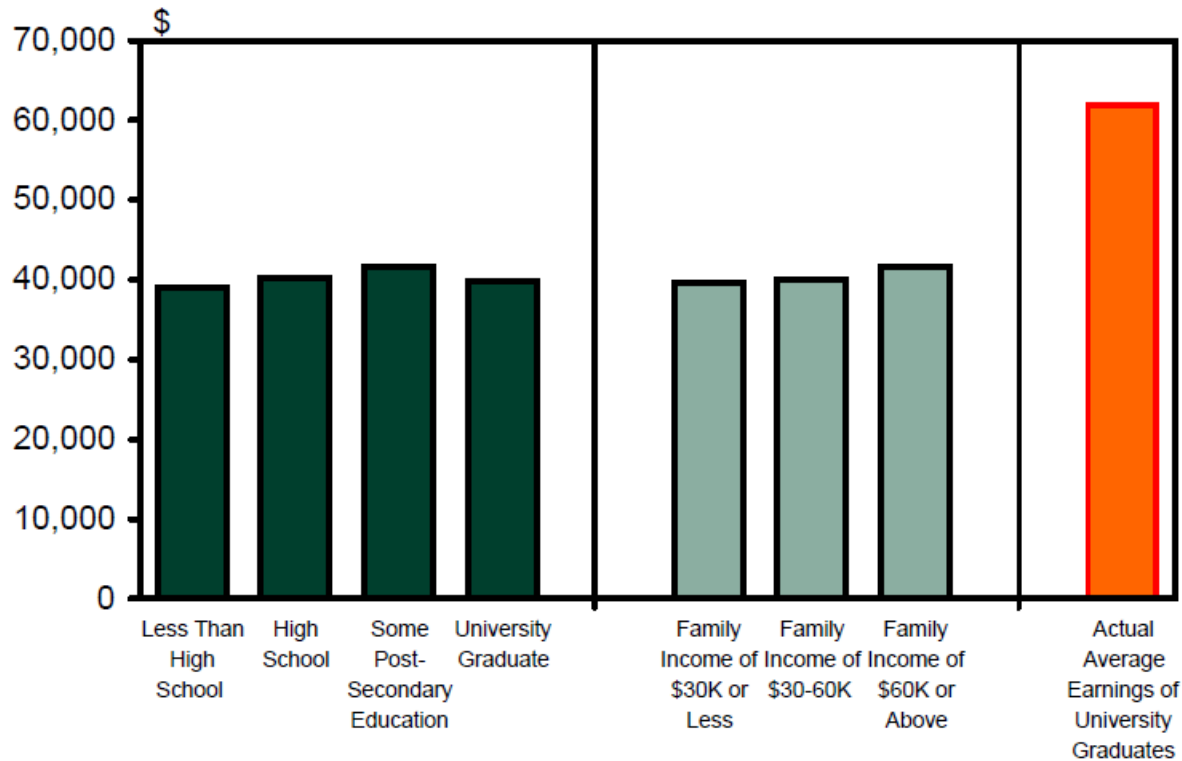
PERCEPTIONS OF MEDIAN AVERAGE COST OF UNDERGRADUATE TUITION FEES, BY EDUCATION AND INCOME, 2003



Source: Canada Millennium Scholarship Foundation.

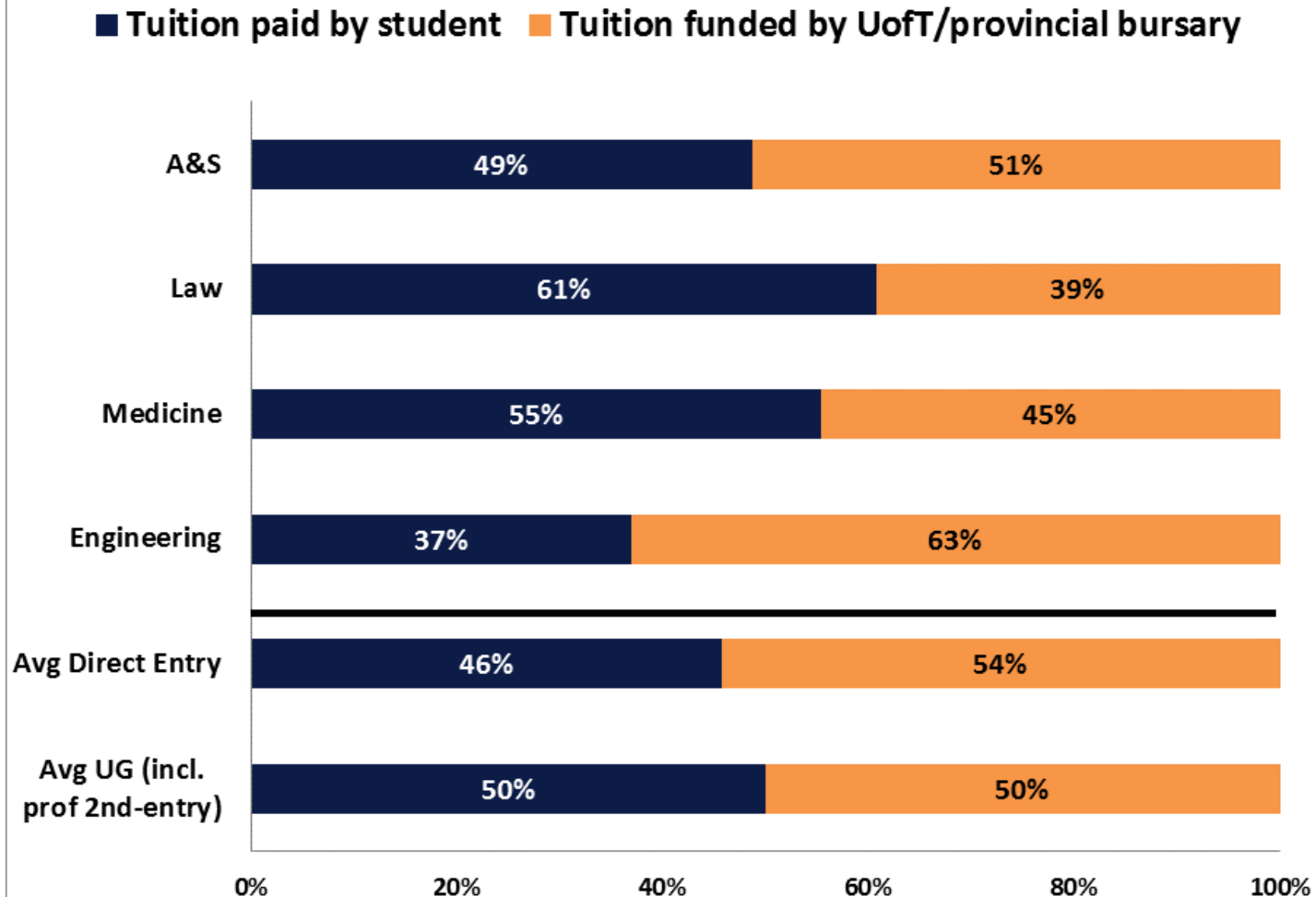
Perceptions of income

PERCEPTIONS OF MEDIAN ANNUAL SALARY OF GRADUATES, BY EDUCATION AND INCOME, 2003

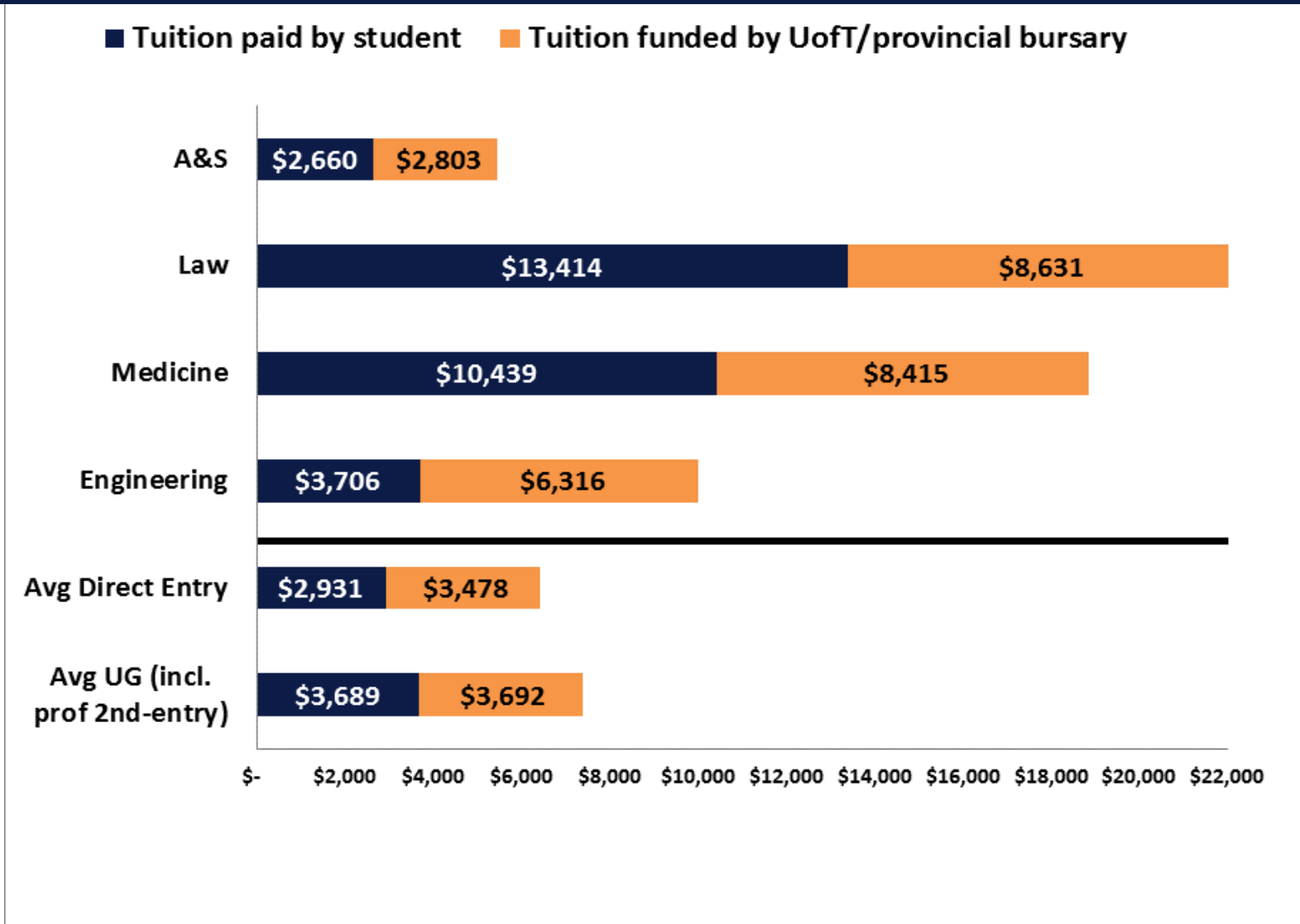


Source: Canada Millennium Scholarship Foundation.

Average “effective tuition” for students receiving OSAP in 2009-10



What do OSAP students pay? (2009-10)



Other Revenue

- **CRC chairs:** projected to decrease by 8 chairs, 5 of which are in the hospitals, and then increase gradually
- **Endowment income:** assume payout on track, increase in endowed student aid of \$4M
- **Federal Institutional Cost of Research (ICR):** rate at <18% and falling (\$19.8M) → Actual cost of ICR > 50% ; operating budget absorbs \$35M

Incremental revenue over the last 3 years

Operating budget revenue, 2008-09 to 2011-12:

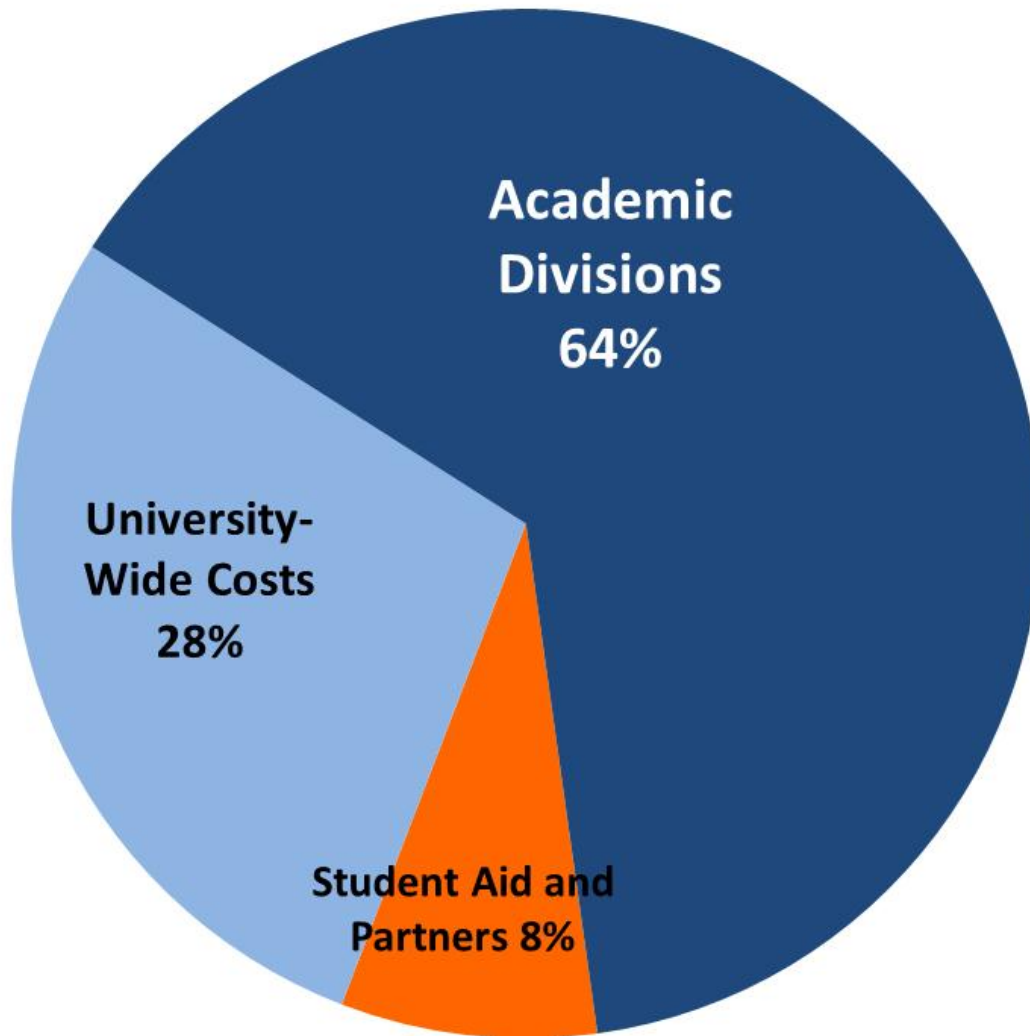
Revenue Source	3-Year Average Increase (Including Volume)	
Grants	\$ 18.1M	3.0%
Tuition (enr. growth + fees)	57.2M	10.2%
Endowment	(0.2M)	(0.5%)
Other	2.7M	2.3%
Total revenue	\$ 77.8M	5.9%

Additional students, faculty and staff over the last 3 years

FTE Category	3-Year Average Increase (per year)
Student FTE	1,436.3
Faculty FTE	48.2
Staff FTE	81.4

EXPENSES

2012-13 Projected Total Operating Expense (excl Divisional Income) \$1.6 billion



Note: "Academic divisions" includes portion of UTM and UTSC budgets allocated to funding their occupancy costs (utilities, maintenance and caretaking)

Academic Divisions

- Expenditure plans include:
 - Support for graduate students
 - International recruitment and services
 - Tenure and teaching stream hiring
 - Research and international opportunities
 - First year foundation programs
 - Capital projects
- Most divisions planning balanced budgets
- Music, Architecture, A&S and Dentistry working to resolve structural deficits

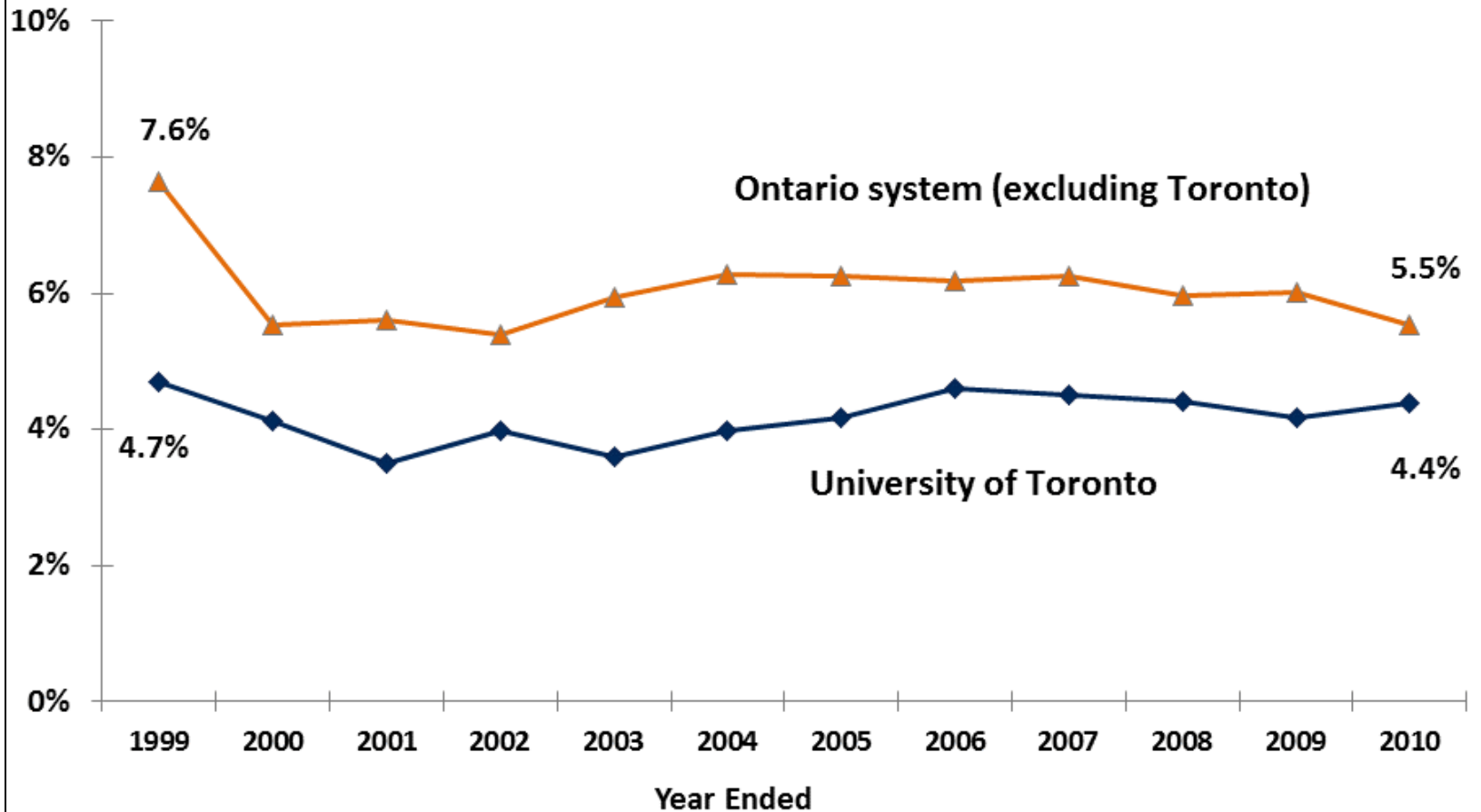
University Fund Allocations

- **UF is \$9.4M base in 2012-13**
 - Support for faculty positions in divisions with high student faculty ratios (A&S, UTM, UTSC, KPE, APSE, Pharmacy)
 - Incentive to double enrolment in professional masters in Engineering, Public Health, Global Affairs and Public Policy
 - Undergraduate Course Development Fund (28 approved half courses so far)
 - Accessibility Services at UTM and UTSC
- **\$4.5M available in one-time-only year-end funds**
 - Support for divisions with structural deficits while they transition

University-wide Expenses

- Careful balance of approvals for spending
- Cost containment continues: 2% (\$3.3M) base across central divisions,
- Investments planned for key institutional priorities → library, recruitment, research services staffing, campaign, student life counselors, classroom upgrades, def. maint.

Central Administrative Costs as a Percentage of Operating Expenditures



Source: COU Financial Report of Ontario Universities

Pension Problem

- Estimated solvency deficit ~ \$1billion
- Place pension plan on a sustainable footing
- Meet certain conditions/metrics to receive government approval to amortize deficit over longer timeframe
- Better case scenario: \$97M per year (Stage 2 acceptance), alternative could be \$200M per year (if no solvency relief)

Pension Strategy

- \$200M payment is not a viable option
- Seek government approval for extended repayment through Stage 1 (ACCEPTED) and 2 solvency relief, which allow us to extend funding over a longer period of time
- Key metric for solvency funding relief is increased employee contributions for current service costs
- Multi-pronged strategy: Increase operating fund budget allocation (to \$97M), borrow internally from EFIP, issue letters of credit

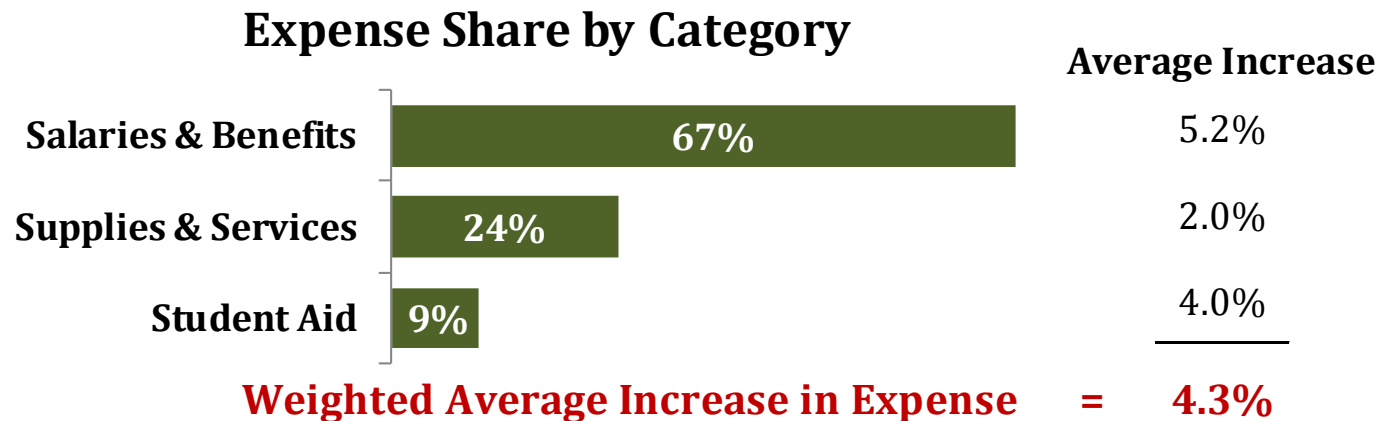
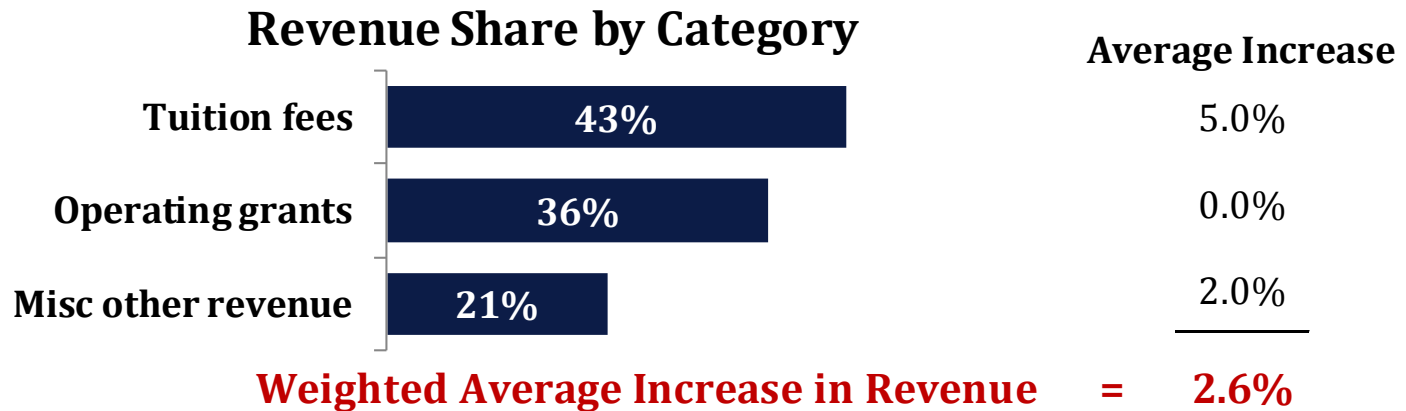
Pension Special Payments and other related costs

	Annual \$M	Cumulative \$M
Up to 2010-11	27	27
2011-12	30	57
2012-13	20	77
2013-14	10	87
2014-15	5	92
2015-16	5	97

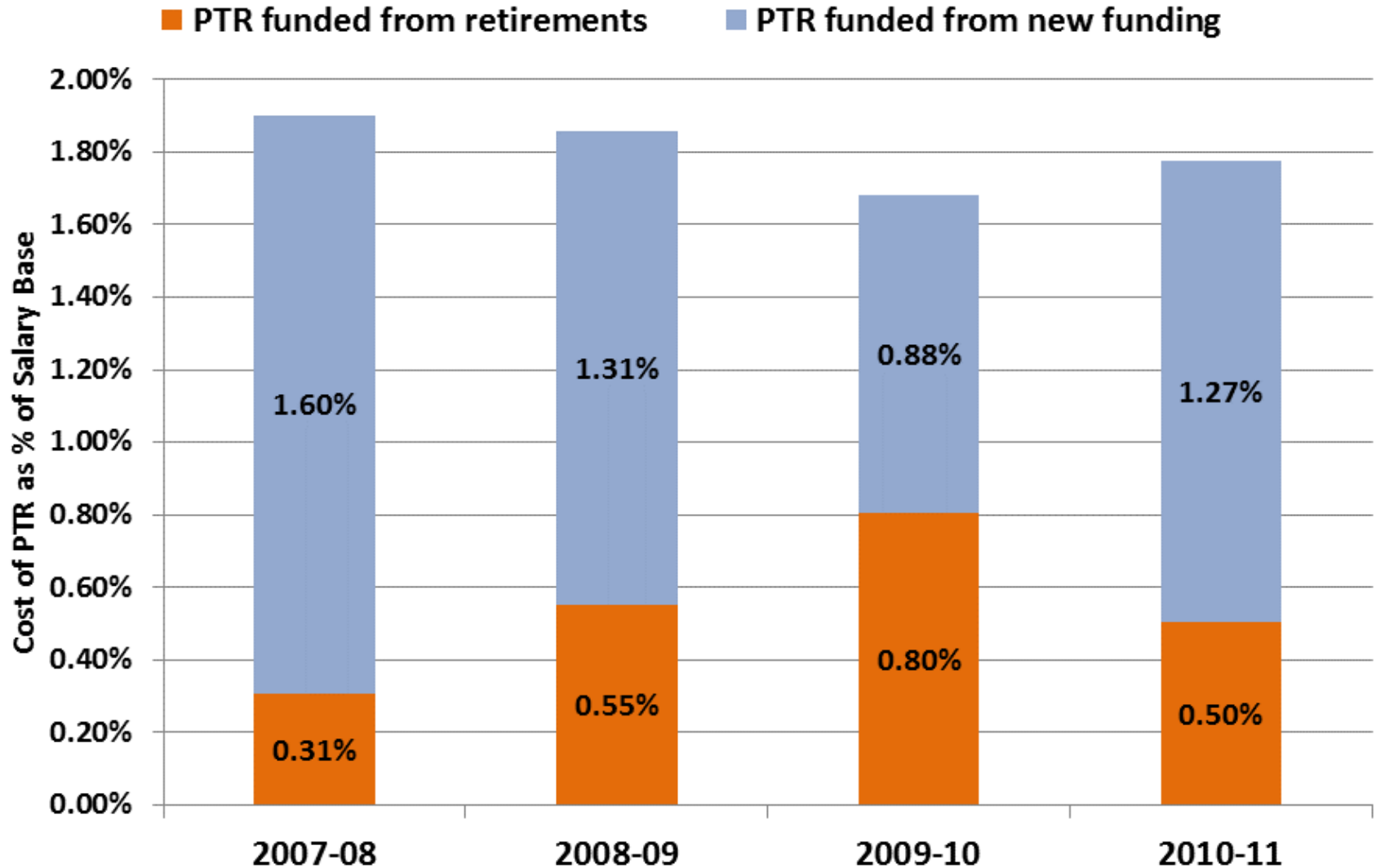
Annual total expense of ~\$97M to 2030

STRUCTURAL BUDGET CHALLENGE

Structural Budget Challenge = 1.7%



Net Cost of PTR: average 4 yrs. 1.26% tenure stream



Annual Incremental Cost of Compensation Settlements

All employee groups	2006-07	2007-08	2008-09	2009-10	2010-11	Average
PTR/Merit/Grid	1.32%	1.49%	1.34%	1.12%	1.33%	1.32%
ATB	3.25%	3.50%	3.50%	2.25%	2.25%	2.95%
PERA	-	-	0.01%	0.01%	-	-
Benefits impact	0.71%	0.80%	0.76%	0.50%	0.59%	0.67%
SBR rate incr.	-	-	-	0.50%	0.75%	0.25%
Total	5.28%	5.80%	5.61%	4.39%	4.91%	5.22%

Conclusion

- Provincial grant declining % of revenue
- Pension funding manageable (painful)
- Reaping the benefits of transparency in our budget model: Better strategic decisions; Lower costs; Smarter planning
- Compensation growth of 5.22% is not sustainable