UNIVERSITY OF TORONTO

OFFICE OF THE GOVERNING COUNCIL

FOR APPROVAL **PUBLIC** **OPEN SESSION**

TO:	Business Board
SPONSOR: **CONTACT INFO:**	Professor Cheryl Regehr, Vice-President & Provost
PRESENTER: **CONTACT INFO:**	Professor Scott Mabury, Vice-President, University Operations scott.mabury@utoronto.ca
DATE:	February 8, 2017 for February 27, 2017
AGENDA ITEM:	2

ITEM IDENTIFICATION:

Budget Report 2017-18 and Long Range Budget Guidelines 2017-18 to 2021-22

JURISDICTIONAL INFORMATION:

Pursuant to Section 5.1(b.) of the Business Board Terms of Reference the Board concurs with the recommendation of the Academic Board that the Budget Guidelines and the Budget be approved.

GOVERNANCE PATH:

1. **Business Board [for concurrence with the recommendation of the Academic Board] (February 27, 2017)**
2. Planning and Budget Committee [for recommendation] (March 1, 2017)
3. Business Board [for recommendation] (February 27, 2017)
4. Academic Board [for recommendation] (March 16, 2017)
5. Executive Committee [for endorsement and forwarding] (March 28, 2017)
6. Governing Council [for approval] (April 4, 2017)

PREVIOUS ACTION TAKEN:

The Budget Report 2016-17 and Long Range Budget Guidelines 2016-17 to 2020-21 were approved by the Governing Council at its April 7, 2016 meeting.

A Governing Council offline information session was held on February 23, 2017.

HIGHLIGHTS:

Budget plans continue to be shaped by the University of Toronto's academic priorities as articulated in the *President's Three Priorities* and the goals set out in *Towards 2030.* The 2017-18 Budget and Long Range Budget Guidelines, 2017-18 to 2021-22 remain essentially aligned with those presented and approved in principle a year ago. Tuition and grant revenue for 2017-18 is projected to be $2.165 billion vs. the $2.151 billion projected a year ago, less than a 1% change. Total operating revenue projected for 2017-18 of $2.473 billion also remains within 1% of last year's projection and outer year revenue projections track very closely to last year's long range budget guidelines. Divisional enrolment plans adhere to strategies set over the last few years, as the University awaits the outcomes of the negotiation on the second round of our Strategic Mandate Agreement with the Province, and a revised provincial funding formula. Proposed budgets are balanced at the institutional level in each of the five years. In the case of a few academic divisions which are projecting deficits over the short term, these divisions will draw down on reserves while they move toward sustainable and balanced budgets. The budget framework reflects and guides the academic and financial priorities over the next five years.

The Province of Ontario is undergoing a shift in its approach to funding universities and colleges. In 2013 the Province of Ontario released its differentiation policy framework with the goal of shifting the focus away from funding based primarily on enrolment growth, reducing unnecessary duplication and ensuring institutional mandates align with government priorities. The differentiation framework is being operationalized through the introduction of a Strategic Mandate Agreement for each institution, which "outlines the role the University currently performs in Ontario's postsecondary education system and how it will build on its current strengths to achieve its vision and help drive system-wide objectives and government priorities." Future funding is expected to be increasingly directed towards achievement of excellence metrics, rather than enrolment numbers.

This budget represents the culmination of many months of planning and the decisions of many academic and administrative units. The budget-setting process at the University of Toronto is very much a bottom-up process, whereby Deans and their teams in academic divisions and departments look at their own revenue and expense budgets and make decisions locally. Decisions are rolled up for review and approval, informed by relevant economic factors, risk assessments, collective agreements, provincial and University policies and then approved by administration and governance.

Operating revenues are derived primarily (88%) from provincial operating grants and tuition and other student fees, which in turn are fully tied to enrolment. Non-enrolment driven sources of revenue include investment income, endowment income, Canada Research Chairs, funding for the indirect costs of research, revenue from activities such as continuing education, sale of services and cost recovery and administrative ancillary fees. The University projects growth in total revenue of $155 million in 2017-18 (6.7% over 2016-17) to total revenue of $2.473 billion, and growth of $631 million over the planning period.

Total spending for student aid is projected at $200 million for 2017-18, growing to $228 million over five years. Note that this amount excludes external funding and internal employment income for doctoral stream graduate students.

The greatest portion of student aid is derived from operating funds, followed by funding from endowments, and then provincial scholarship grants. The funds are managed through both centralized programs as well as divisional programs.

With the requirement to fund the pension solvency deficit, the declining proportion of revenue from government funding, restriction under the provincial tuition framework, and ongoing economic uncertainty, we must remain restrained in our allocation of resources, while ensuring we maintain standards of excellence in teaching, research and the student experience. Expenditure allocations are proposed within these competing constraints and priorities. Decisions on the allocation of resources across the institution take into consideration a balance between the rates of expenditure increase in the administrative divisions vs. the academic divisions. Commensurate with revenue increases total expenditures are projected to increase by 6.7% from $2.32 billion in 2016-17 to $ 2.47 billion in 2017-18.

This is a realistic budget which builds on ambitious strategic planning across all divisions.

FINANCIAL IMPLICATIONS:

The Long Range Budget Guidelines plan for a balanced budget in each of the five years. The University continues to demonstrate an outstanding ability to cope with these challenges by developing strategic and creative multi-year budget plans, which maintain and enhance academic priorities while minimizing the impact of the economic volatility on the student experience and on the research strength of the University. Leaders of academic and shared-service portfolios have risen to the challenge, seeking efficiencies and collaborations wherever possible. Despite demographic challenges, enrolment remains very strong and the University continues on its upward trajectory of attracting excellent domestic and international students.

RECOMMENDATION:

Be It Recommended to the Governing Council

THAT the Business Board concur with the prospective recommendation of the Academic Board,

THAT the *Budget Report 2017-18 be approved,* and

THAT the *Long Range Budget Guidelines 2017-18 to 2021-21* be approved in principle

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DOCUMENTATION PROVIDED:

Budget Report 2017-18 and Long Range Budget Guidelines 2017-18 to 2021-22 (February 8, 2017)

University of Toronto

Long Range Budget Guidelines 2017-18 to 2021-22

Budget Report 2017-18

February 8, 2017

Prepared by the University of Toronto Planning and Budget Office

Budget Highlights

Budget plans continue to be shaped by the University of Toronto's academic priorities as articulated in the *President's Three Priorities* and the goals set out in *Towards 2030.* The 2017-18 Budget and Long Range Budget Guidelines, 2017-18 to 2021-22 remain essentially aligned with those presented and approved in principle a year ago. Tuition and grant revenue for 2017-18 is projected to be $2.165 billion vs. the $2.151 billion projected a year ago, less than a 1% change. Total operating revenue projected for 2017-18 of $2.473 billion also remains within 1% of last year's projection and outer year revenue projections track very closely to last year's long range budget guidelines. Divisional enrolment plans adhere to strategies set over the last few years, as the University awaits the outcomes of the negotiation on the second round of our Strategic Mandate Agreement with the Province, and a revised provincial funding formula. Proposed budgets are balanced at the institutional level in each of the five years. In the case of a few academic divisions which are projecting deficits over the short term, these divisions will draw down on reserves while they move toward sustainable and balanced budgets.

Planning over the last three years was guided by the Strategic Mandate Agreement (SMA) with the Province of Ontario, which outlines "the role the University currently performs in the postsecondary education system and how it will build on its current strengths to achieve its vision and help drive system-wide objectives articulated by the Ministry's Differentiation Policy Framework." This initial SMA1 (2014-2017) distinguishes the University of Toronto as a "globally recognized, comprehensive, and research-intensive institution with a distinct leadership role in Ontario's postsecondary education system. The University of Toronto's broad range of program offerings and research activity has a major economic and social impact, locally and globally."[1] Discussions on SMA2 will run over the course of several months beginning in early 2017.

Enrolment, the primary driver of operating revenues, remains robust and the University continues to attract excellent domestic and international students; 2016-17 saw growth at both the undergraduate, and graduate levels. Undergraduate entering averages continue to increase across all three campuses and the outlook for the next few years remains healthy, despite Ontario demographics to the contrary. The University of Toronto Mississauga (UTM) plans to increase undergraduate enrolment by about 500 students over the next three years and then hold steady for a period after that. The University of Toronto Scarborough (UTSC) plans growth of about 1,000 undergraduate students over the next five years. The St. George campus is projecting a decline of about 500 students in undergraduate enrolment over five years. International undergraduate enrolment is planned to increase by about 5% (about 600 students) over five years. There is substantial pressure across all three campuses for growth in professional master's programs, with demand for 1,000 additional provincially-funded spaces; divisions plan for growth of about 400 provincially-funded doctoral spaces. Funding for graduate expansion and international PhDs will be a key priority of our SMA2 negotiation with the Province.

[1] Strategic Mandate Agreement (2014-17) between the Ministry of Advanced Education and Skills Development and the University of Toronto

The $2 billion Boundless Campaign was launched in November 2011 and reached its goal in November 2016, six months ahead of schedule; the campaign has expanded its goal to $2.4 billion. Divisional campaigns, with support from the Division of University of Advancement, will continue to raise funds to support academic programs and research, the student experience, infrastructure and faculty support.

Budget planning at the University of Toronto is essentially a bottom-up process, arising from aspirations and service plans in the academic and shared-service divisions. Academic plans include additional tenure and teaching stream faculty in many divisions, strengthening commitments to equity and diversity in faculty hiring and student recruitment, including hiring to support the initiatives called for in the *Final Report of the Steering Committee for the U of T Response to the Truth and Reconciliation Commission of Canada*, enhancement of international student services and mental health services, investment in research infrastructure and clusters, fostering experiential and work integrated learning, curriculum redesign including integrating new learning technologies, and operating budget contributions toward capital projects. Allocations to shared-services are restrained, yet recognize the importance of continued investment, and in some cases enhancement, in vital services. Priorities over the next few years include implementation of recommendations outlined in the Report on Prevention and Response to Sexual Violence, ongoing improvements to the student information system, funding to sustain the services and collections (primarily electronic) of our world-class library system, a multi-year project to upgrade classrooms on the St. George campus, and continuation of the Boundless fundraising campaign. Compensation increases are planned within the provincial restraint context. Overall expenditure plans reflect that the University has been granted Stage 2 pension solvency relief; the effective date of the next required actuarial valuation to be filed with the regulators is July 1, 2017.

The Long Range Budget Guidelines, including the 2017-18 budget, are presented in the budget schedules in Appendix A. The projections are presented in five schedules.

- **Schedule 1** provides a high-level summary of projected revenue and expense;
- **Schedule 2** provides further detail on Provincial Operating Grants and Student Fees;
- **Schedule 3** provides further detail on university-wide expenses and campus costs. University-wide expenses are grouped by the 12 cost bins which are the basis for cost attribution to divisions. It also provides further detail on Student Aid Expenditures;
- **Schedule 4** contains a detailed summary of revenue attributions and deductions by division for 2017-18;
- **Schedule 5** provides multi-year projections by division for the five-year budget cycle.

It is important to note that the operating budget is prepared on a cash basis, in contrast to the accrual basis of the audited financial statements. Also, the operating budget is only one, albeit the largest (approximately 75% of total revenues), of the four funds included in the financial statements; the three others are the restricted fund, the capital fund and the ancillary operations fund.

Strategic Context

The Economic and Political Climate

Canada, and the world, is facing considerable political, immigration and trade uncertainty with the new US administration, the UK's withdrawal from the European Union, and rising European populism. Much remains to be seen in terms of the impact on Canadian universities.

The 2016 year experienced an improvement in the global economy with the US economy expected to grow over the next two years. The Bank of Canada Monetary Policy report released in January 2017 sees ongoing constraints on the growth in economic activity in Canada through 2017, with modest growth in real GDP, export growth limited by the recent appreciation of the Canadian dollar relative to the US dollar, and CPI inflation expected to be around 2%. While Ontario's economy has continued to grow in the uncertain global environment, the Province continues to run a deficit budget, projected at $4.2 billion in their 2016 fall economic outlook, imposing pressure on all provincially funded sectors.

Post-Secondary Education Funding in Ontario

The Province of Ontario is undergoing a shift in its approach to funding universities and colleges. In 2013 the Province of Ontario released its differentiation policy framework with the goal of shifting the focus away from funding based primarily on enrolment growth, reducing unnecessary duplication and ensuring institutional mandates align with government priorities. The differentiation framework is being operationalized through the introduction of a Strategic Mandate Agreement for each institution, which "outlines the role the University currently performs in Ontario's postsecondary education system and how it will build on its current strengths to achieve its vision and help drive system-wide objectives and government priorities." Future funding is expected to be increasingly directed towards achievement of excellence metrics, rather than enrolment numbers.

The Province of Ontario is entering a period of significant decline in the 18-20 year-old population, primarily in the northern part of the province where the government has expressed concern about the sustainability of universities. In the Greater Toronto Area, projections for this age group call for a slight decline to 2021 and growth of over 20% to 2035. As a result of these demographics, undergraduate growth across the province will be more closely managed, likely through negotiated undergraduate targets; this is a noteworthy departure from the relatively unrestricted approach to undergraduate growth in the last decade.

In 2014 the University of Toronto negotiated its first Strategic Mandate Agreement (SMA1) with the Ministry of Advanced Education and Skills Development (MAESD). SMA1 recognized the University's strength across a broad array of programs and included an allocation of graduate expansion spaces and conversion of undergraduate teacher education spaces to additional graduate teacher education spaces. SMA1 continued to rely on enrolment growth as the key driver (> 90% at UofT) for provincial grant allocations. SMA1 will conclude on April 30, 2017; discussions have begun with MAESD on SMA2, which will cover the 3-year period 2017-18 to 2019-20.

The Province is also engaging with universities and colleges in a funding-formula review designed to support the new differentiation framework. While the current funding model for universities is primarily enrolment driven, the new funding formula is designed to focus on accomplishing three key objectives:

1. Improving student outcomes;
2. Driving differentiation by linking funding to SMAs; and
3. Providing stability to institutions through a formula which provides predictable funding and supports enrolment planning during a period of projected demographic change and enrolment decline.

The government has suggested that the new formula will likely include three envelopes:

1. The core operating grant, linked to enrolment
2. The differentiation envelope, linked to SMA metrics
3. Special purpose grants

Transition to the new funding formula in 2017-18 is designed to ensure that no university will see changes to core funding levels as a result of the transition. Beyond that, changes will be gradual and subject to negotiation between each university and MAESD via Strategic Mandate Agreements.

Enrolment

For the 2016-17 academic year, across an undergraduate population of 61,000 undergraduate students (FTEs), actual results came within 152 FTE of plan, a variance of 0.2%, spread across all three campuses. Our plans call for UTM to increase undergraduate enrolment by about 500 FTE over the next three years and then hold steady for a period after that; UTSC plans growth of about 1,000 undergraduate students over the next five years; the St. George campus is projecting a decline of about 500 FTE in undergraduate enrolment over five years, all as specified in the University's *Towards 2030* plan. The growth will be accompanied by considerable capital investment and faculty hiring at the three campuses.

The University continues to attract very high quality students. Entering averages of undergraduate students are rising each year across all three campuses and are carefully monitored as an indicator of the academic quality of our students. The University of Toronto's first-choice applications from Ontario high school students increased by 1.0% relative to January 2016, slightly less than the provincial total of 1.5%. Total University of Toronto applications for all choices increased 3.0%, compared to a system total increase of 2.7%. In the non-Ontario high school category, application numbers do not become fully meaningful until later in the spring. System upgrades at OUAC (the provincial application processing centre) this year have also resulted in processing delays for these applications, which make year-over-year comparisons difficult at this point in time. However, initial indications suggest strong growth in this pool for the University of Toronto.

The University met its master's enrolment target in 2016-17 and there is demand for another 1,000 provincially-funded spaces over the next five years. Doctoral enrolment (for provincially funded spaces) has held constant this year relative to last, however divisions plan for growth about 500 more domestic student spaces. Many divisions continue to push for advocacy with the province for increasing the number of funded international PhD spaces, currently only at thirty eight.

Tuition and Student Assistance

A full discussion of tuition fees is contained in the annual *Tuition Fee Report 2017-18,* and a full discussion of student assistance in the annual *Student Aid Report 2015-16*, both which accompany this report when presented to the Business Board of Governing Council. It should be noted that the 2015-16 year is the most recent year for which the University and the province have complete information on student assistance. Key highlights of the reports are noted below.

Tuition fees at the University of Toronto are determined in accordance with the University's Tuition Fee Policy, the Statement of Commitment Regarding International Students and the Provincial Government's Tuition Framework which ran for a four-year period to 2016-17 and was recently extended to 2018-19. The long range budget projections assume the provincial Tuition Framework will remain unchanged over the final three years of the planning period.

The University of Toronto is independently committed to student aid and is guided by the 1998 Governing Council policy on accessibility, which predates the government's framework, and will continue to drive our funding for needs-based student aid. The policy contains the following Statement of Principle:

"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."

At the University of Toronto approximately 55% of full time domestic undergraduate students and 23% of full time domestic graduate students receive support from the provincial needs-based assistance program (OSAP). Within that population many students also receive funding from the University's need-based financial aid program, called University of Toronto Advanced Planning for Students (UTAPS). When taking all of these grant and bursary programs (not loans) into consideration, the portion of total tuition paid by OSAP-eligible students, on average in 2014-15 (the year the university last completed the study) was 51% of the posted rate. There has been a 2.1% increase of students with OSAP debt graduating from direct-entry programs since 2010-11; however, the average OSAP debt of these students decreased over the same period by 3%. The combination of these University and provincial student financial aid programs enhances access to the University's excellent education opportunities for a wide array of students.

The 2016 Ontario budget announced a fundamental restructuring of the provincial financial aid system, to begin in 2017-18. These changes are discussed later in this report.

Federal Funding

Funding from the federal government is provided to universities primarily to support research and is not generally part of the University's operating budget. However, it interacts with the University's operating budget in three important areas: Canada Research Chairs, the institutional cost of research, and graduate student support.

In the 2014 federal budget, the government positioned postsecondary research within their Science, Technology and Innovation strategy. The federal budget announced the creation of the Canada First Research Excellence Fund (CFREF), a $1.5 billion fund over ten years. The objective of the fund is to "help Canada's postsecondary institutions excel globally in research areas that create long-term economic advantages for Canada." In July 2015 the University of Toronto was awarded the largest research grant in our history under the CFREF program. The $114 million grant is spread over seven years, whereby the University and its partners, which include the Hospital for Sick Children, the University Health Network, and Mount Sinai Hospital to deliver a new program, called Medicine by Design. The initiative and the funding build on years of support for U of T's regenerative medicine researchers from federal granting councils, the Canada Foundation for Innovation and support from the Canada Research Chairs and Canada Excellence Research Chairs programs. The University did not receive funding in the second round of CFREF awards.

The Canada Research Chairs program introduced in 2000-01 provides salary and research support for outstanding university researchers on a competitive basis. Research chairs are awarded to each university based on its share of research funding by the federal granting councils. The University experienced a decline in the number of CRC chairs several years ago but the trend is reversing as we increase our share in tri-council funding competitions. Since the CRC program was introduced, inflation has reduced the effective value of Chair funding by over 25%. An appropriate adjustment to government funding is long overdue.

As a long-standing subject of government advocacy, universities have been requesting that the federal government recognize the full cost of research in its research funding policy, with a 40% rate as a minimum target for the indirect costs. The government began to provide institutional costs of research funding in 2003-04 through what is now called the Research Support Fund (RSF), with an effective rate for the University of Toronto now at 17.3%. This is currently contributing just over $20 million to the University's operating budget, and continues to be considerably short of the actual institutional cost of research, estimated at over 50% at the University of Toronto. A doubling of the federal RSF rate would bring us to $40 million, putting us somewhat closer to our AAU competitors and would have a significant impact on allowing the research intensive divisions to close the gap on their structural deficits. Without a change in the funding formula, each additional dollar of research funding places a higher burden on the University's operating funds.

The federal government supports graduate students by providing fellowships on a competitive basis. Although these funds do not flow through the University's budget, they provide indirect budget relief to the academic divisions by freeing up funds that would otherwise have to be used for graduate student support. The support for graduate students has not kept pace with the rapid growth in graduate enrolment.

Compensation

In accordance with the Broader Public Sector Accountability Act, 2010, a compensation freeze remains in effect for those members included within the "designated executives" category specified in the legislation. Further compensation restraint legislation, Bill 8 *Broader Public Sector Executive Compensation Act, 2014* has been passed that will effect elements of the compensation freeze, however will not be in effect until new executive compensation frameworks are established. Work is proceeding and a new framework for the University of Toronto must be in place by September 2017. In the meantime the status quo on compensation restraint for “designated executives” applies.

The University is entering into collective bargaining with the majority of its unions throughout 2017-18, as well as with its Faculty Association. Compensation terms for each agreement will not be known until bargaining is completed.

Pension

Like almost every other Canadian and US public sector institution that sponsors a defined benefit pension plan, the University is facing both a going concern and a solvency pension deficit. Both the overall economic and financial climate and the regulatory landscape continue to be uncertain with respect to pensions. Interest rates continue to be very low, making it much more difficult to achieve target investment returns. Longevity continues to increase. The University is participating in the Ontario Government’s temporary solvency relief program and net solvency deficit payments are scheduled to begin July 1, 2018, albeit at a much lower level given an additional round of temporary solvency funding relief announced in 2016. Expense projections include annual pension special payments and associated costs of $127 million by the end of the planning period. Further details are included in the *Overview of Key Planning Assumptions* section of this report.

Other Future Liabilities

The University has many future liabilities, not currently funded directly through the operating budget.

As noted in the *Annual Report on Deferred Maintenance*, presented to Business Board for information on January 23, 2017, the University’s total deferred maintenance liability on academic and administrative buildings presently stands at $551 million, up from last year’s figure of $518 million. The St. George campus saw an increase of $24 million. The majority of the increase was the result of an adjustment to the window replacement values in the replacement cost table. Both UTSC and UTM saw an increase in their respective total liability compared to last year; with UTSC up by $2.3 million compared to previous year and UTM by $6.4 million. As with previous reports, the vast majority of deficiencies are still focused at St. George with $474 million of the total $551 million liability. The operating budget sets aside approximately $17 million annually (growing to about $20 million in 4 years) for deferred maintenance at St. George. Separate funds are set aside at UTM and UTSC.

Additional funds are available to address deferred maintenance through the provincial Facilities Renewal Program (FRP) program. In 2014 the Province announced its intention to phase in increases to the FRP program beginning in 2015-16. Funding for the university sector is projected to increase from $17 million in 2014-15 to $67 million in 2019-20. The portion allocated to the University of Toronto is projected to increase from $4.8 million in 2016-17, to $7.2 million in 2017-18 and to $12 million in 2019-20. In July 2016 the federal government announced the Post-Secondary Institutions Strategic Investment Fund (SIF). Total funding of $190 million ($84 million SIF, $14 million FRP provincial funds (redirected from the ongoing program) and $92 million divisional funds) will provide upgrades to nearly half of UofT's research labs over the next two years; this initiative will address a critical component of the University's overall deferred maintenance backlog. The balance of funding provided by the operating budget vs. the province will be reviewed annually to ensure optimal use of resources.

The ancillary operations' cumulative deficit has been declining over the last several years and is projected to be $38 million at April 30, 2017, a reduction of 67% of the $115 million deficit in 2011. The capital fund cumulative deficit is projected to be $72 million at April 30, 2016. These deficits are primarily due to the internal financing of capital projects, which has the impact of increasing both the University's overall deficit and the investment in capital assets.

The Budget Process

The Planning Process

This budget represents the culmination of many months of planning and the decisions of many academic and administrative units. The budget-setting process at the University of Toronto is very much a bottom-up process, whereby Deans and their teams in academic divisions and departments look at their own revenue and expense budgets and make decisions locally. Decisions are rolled up for review and approval, informed by relevant economic factors, risk assessments, collective agreements, provincial and University policies and then approved by administration and governance.

An essential and major part of the annual budget process is the formal process for budgetary reviews for both academic and shared-service divisions. Two review processes are conducted annually, one for shared-services and the associated university-wide costs, and the other for the academic divisions.

Each shared-service division prepares multi-year budget plans for its units. These plans are reviewed by the President, who takes advice from the Divisional Advisory Committee, which includes the Principals at UTM and UTSC, and representative deans of faculties. The purpose of the review is two-fold. First, the review ensures that any proposed changes in services are aligned with the needs and priorities of the academic enterprise. Second, the review establishes spending priorities, considers the alignment of services between those provided centrally and those provided in the divisions, and ensures that all possible cost reductions have been examined.

The annual academic budget reviews (ABRs) take place throughout the autumn term. Each division submits a multi-year budget plan to the Provost based on its academic plans. Revenue projections are based on enrolment plans, new program offerings, advancement outcomes, etc. Expense projections take into account cost increases, changes in faculty and staff complement, student financial support, etc. These plans are discussed in individual review meetings with a Provostial committee that includes the Provost, the Vice Provost Academic Programs, the Vice President University Operations and senior staff in Planning and Budget. The reviews inform approvals of enrolment targets, academic appointments, allocations from the University Fund, approval of campaign priorities, and approval of capital plans.

The review process, whether for academic or administrative divisions, amounts to a high level of engagement by deans and members of the senior administration in the budget process. As a result, budgetary allocations are informed not only by the overall budget situation of the University but also by the circumstances of individual divisions and by their academic values and priorities. Cost containment measures, which are often necessary because of the constraints on revenue, are applied by each academic division based on its own circumstances.

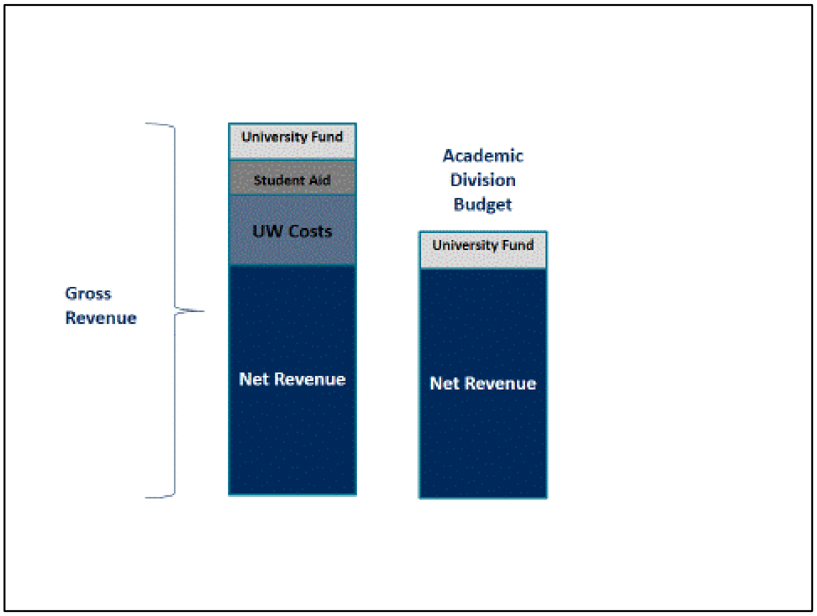
The review process also promotes a better alignment of the University-wide services with the needs of the academic divisions. The involvement of members of the senior administration leads to a deeper understanding of the nature of the University's expenses, how services can be best delivered, and where and how savings may be realized.

The University's Budget Model

The University adopted the University of Toronto Budget Model in 2007-08. The fundamental guiding principle underlying the budget model is *"The budget allocation process is a primary tool for the implementation of the university's academic plans and academic priorities."* The model has three basic objectives:

- to provide a high degree of transparency, enabling all levels of university administration and governance to have a clear understanding of university revenues and expenses,
- to introduce broadly-based incentives to strengthen the financial health of the university by increasing revenues and reducing expenses, and
- to encourage a higher level of engagement of all senior levels of administration in budget planning for academic divisions and in recommending priorities and budgetary allocations for shared infrastructure.

The model introduced a methodology for attributing revenues and the costs of shared infrastructure to all divisions. A major portion of the expense budget allocated to an academic division is its *Net Revenue,* which is equal to its share of the University's gross revenue less its share of expenses,



including its contribution to student aid and to a university-wide fund called the University Fund. A division's net revenue includes revenues from its programs, student enrolments, advancement activities through the endowment payout, and research activities through funding from indirect costs of research. Divisions benefit as their activities increase revenue and when, in cooperation with central service units, they are able to make more efficient use of shared resources.

The remainder of a division's budget is an allocation from the University Fund. This is an entirely non-formulaic allocation, intended to provide funding in accordance with the University's academic values and priorities. It ensures that the total budget of a division is determined by the University's own priorities rather than by those of an external entities. It also enables the University to recognize differences in the cost of delivery of various programs.

The process of attributing revenues and costs to divisions has been designed to minimize administrative overhead. For example, no transaction accounting is used to attribute the cost of a particular service. Instead, revenues and costs are attributed using readily available and verifiable parameters that provide a reasonable basis for the distribution of revenue or a suitable measure of the extent to which a division has access to a particular resource or service. These measures are referred to as revenue drivers and cost drivers, respectively. They include such parameters as number of students, number of faculty, usable space area occupied, etc.

The budget planning cycle is based on a five-year rolling window. Budget assumptions used in the Long Range Budget Guidelines are updated each year, and new assumptions are prepared for one additional year. Revised revenue and expense projections are then prepared for the new cycle based on these assumptions.

Surplus/Deficit Management

Governing Council guidelines for deficit control were revised in 2008 as a result of the change from a fixed to a rolling-window planning cycle. According to these guidelines, the University should strive to plan a balanced budget in every year of the cycle. In addition, any outstanding accumulated deficit from previous years should be reduced to zero by the end of the five-year planning period. An in-year deficit may be allowed in some years to facilitate planning, recognizing that fluctuations often occur in enrolments, government grants, investment income, etc. The deficit or surplus in the University's integrated budget is a result of the aggregated plans of individual divisions. A planned deficit may also be necessary in exceptional circumstances. Planned budgetary deficits should also be repaid over five years.

Overview of Key Planning Assumptions

Revenue and Enrolment Projections

Operating revenues are derived primarily (88%) from provincial operating grants and tuition and other student fees, which in turn are fully tied to enrolment. Non-enrolment driven sources of revenue include investment income, endowment income, Canada Research Chairs, funding for the indirect costs of research, revenue from activities such as continuing education, sale of services and cost recovery and administrative ancillary fees. The University projects growth in total revenue of $155 million in 2017-18 (6.7% over 2016-17) to total revenue of $2.473 billion, and growth of $631 million over the planning period. A high level summary of enrolment plans is shown in the following three tables.

Table 1: Enrolment FTE results 2016-17 and projections to 2021-22

	2016-17A	2017-18P	2018-19P	2019-20P	2020-21P	2021-22P
UG Domestic	48,362	48,333	48,491	48,397	48,828	48,883
UG International	12,900	13,403	13,622	13,583	13,501	13,532
Grad Domestic	14,060	14,374	14,900	15,188	15,374	15,538
Grad International	2,969	2,988	3,111	3,202	3,285	3,335
Total FTE	78,291	79,098	80,124	80,370	80,988	81,288

Table 2: Undergraduate FTE by campus

	2016-17A	2017-18P	2018-19P	2019-20P	2020-21P	2021-22P
UTM	11,915	12,111	12,390	12,455	12,561	12,583
UTSC	10,747	11,090	11,365	11,546	11,641	11,699
St. George	38,600	38,535	38,358	37,979	38,127	38,133
Total FTE	61,262	61,736	62,113	61,980	62,329	62,415

Table 3: Graduate FTE by degree type

	2016-17A	2017-18P	2018-19P	2019-20P	2020-21P	2021-22P
Profess. Master's	7,743	8,111	8,570	8,855	8,980	9,095
Doc. Str. Master's	2,948	3,031	3,053	3,063	3,066	3,067
PhD	6,338	6,220	6,388	6,472	6,613	6,711
Total FTE	17,029	17,362	18,011	18,390	18,659	18,873

Note: The enrolment tables above include TST conjoint enrolment (i.e., exclude TST non-conjoint enrolment).

Operating Grants

The operating grant projections in this report do not reflect any changes that may arise as a result of negotiation of SMA2 or the funding formula review. The Ministry has indicated that implementation of a new funding formula will be a multi-year process with no redistribution of funds through the transition phase. SMA3 will be implemented in 2020-21 and at that point the metrics linked to the differentiation envelope will take effect. Details of operating grants are included in Appendix A, Schedule 2. A decrease of $3 million (0.5%) is projected in the operating grant for 2017-18 as a result of slower undergraduate growth, and an increase of only $13 million is projected over the next five years. The increase is entirely the result of more students; there is no increase to per student funding.

The budget assumes the following for provincial grants:

- No changes have been projected related to the provincial funding formula review or SMA2;
- The budget projections are based on the most recent divisional enrolment plans and the information available about government funding;
- The budget projections do not include funding for capital expansion;
- The provincial government operating grants will not include an inflationary increase;
- Undiscounted funding will be received for all undergraduate students as per divisional enrolment plans and funding for graduate expansion up to the estimated University of Toronto final Strategic Mandate Agreement allocation from the provincial graduate envelope; some graduate divisional plans exceed this and tuition revenue only is assumed in those cases.

Tuition Fees

A breakdown of tuition fees vs. ancillary, continuing and executive education fees is included in Appendix A, Schedule 2. Tuition fees for domestic students are set within the provincial Tuition

Framework which has been extended to 2018-19; the projections assume there will be no change in Tuition Framework beyond the 2018-19 year. It is important to note that tuition revenue increases are a result of both increased tuition fees and higher enrolments.

Under the provincial Tuition Framework, tuition fees for entering and continuing students in Arts and Science and selected other undergraduate programs may increase by a maximum of 3%. Tuition fees for entering and continuing students in graduate and high-cost professional programs may be increased by a maximum of 5%. Overall, the average increase in tuition for all students in any institution may not exceed 3%. The projected average for gross tuition fee increases at the University of Toronto in 2017-18 is 2.97%. In order to fit within the overall 3% cap, the University is not able to maximize fee increases in all programs due to the mix of our graduate and professional programs. To provide a bit of tuition room for professional programs to increase tuition by 5%, tuition fees for doctoral stream students will **decrease** by $70 in 2017-18. A reduction in tuition fees for doctoral stream students often has a net zero budgetary impact for divisions because in many cases tuition fees are funded as part of a students' graduate funding package.

Tuition fees for international students are set at a level that takes into consideration the full cost of providing a program and with reference to fees at peer Canadian and US universities. With the current exchange level of the Canadian dollar, tuition fees are favorable to students from key international markets such as China, Pakistan, South Korea, Hong Kong and the United States. Tuition fee increases, measured at the gross level, are estimated to be just shy of 3% on average for domestic students. The average tuition increase for international students is 5.9% in 2017-18 and varies slightly each year thereafter depending on divisional plans. Details on proposed tuition fee increases program by program are found in the *Tuition Fee Report*, which comes to Governing Council for approval along with this report.

The concept of "net tuition" is an important one. Net tuition is defined as the tuition paid by a student after deducting non-repayable bursaries provided by the provincial government and the University. It does not take into account student loans. Universities and the provincial government provide significant amounts of student financial support to reduce the stated cost of tuition and to ensure that academically qualified students have the resources they need to attend university.

Last year the University of Toronto updated the study of the impact of student financial support on the tuition rates actually paid by our students. Results of the analysis yields important insights into the true cost of accessing higher education at the University of Toronto. Some of the key findings from the 2014-15 analysis include:

- About 53% of UofT full-time domestic undergraduate students received support through OSAP;
- Of this OSAP-eligible population, about 43% also received additional support from the University of Toronto;
- When OSAP, University bursaries and the Ontario Tuition Grant are taken into consideration, net tuition for the OSAP-eligible undergraduate population of students is 51%; when the net

tuition study was completed for 2012-13, the net tuition rate was 48%. The increase in average net tuition from 48% to 51% is attributable to the decline in relative provincial and federal government support. The University has improved its contribution towards net tuition, with increases to our need-based financial aid programs such as UTAPS. Advocacy efforts will continue with the Province to seek contributions to provincial student aid that keep pace with tuition.

- Net tuition for the OSAP-eligible undergraduate population of students in direct-entry programs is 45%;

Ancillary Fees

Ancillary fee revenue includes fees charged to students as permitted by MAESD Guidelines. These include fees in the following categories: student services, health services, athletics, Hart House, constituent college fees, student society fees, cost recovery fees, and administrative user fees and fines. Increases in compulsory ancillary fees are regulated by MAESD through their Guidelines and in accordance with the Memorandum of Agreement between the University and student governments (1996).

Tuition Fees for Continuing and Executive Education Programs

Most divisions offer continuing and/or executive education programs. Fees in these types of programs are not regulated by MAESD. Examples include: language, creative writing, and professional development programs in the School of Continuing Studies, and executive education programs in many professional faculties.

Endowment Income

The University of Toronto has many generous friends and benefactors, who have contributed a total endowment in excess of $2.1 billion (fair value at April 30, 2016.) Endowment income is highly targeted. The endowment income included in the operating budget is directed to student aid and to the support of endowed chairs and represents a modest but important part of the University's total operating revenue, 2.5% in 2017-18. It is important to note that endowment revenue for research and academic program support is not reflected in the operating budget. The Long Range Budget Guidelines build in a conservative assumption of growth in endowments; this will be adjusted each year as gifts are received.

By policy, pay-outs on the University's endowed funds range from 3% to 5% of the market value of the relevant assets, with a target around 4%. The endowment payout strategy is to increase the payout per unit annually with inflation. The payout rate per unit will be determined and announced in March 2017 and the actual distribution will occur just prior to year end at April 30, 2017, following the normal process. In 2016 the endowment payout rate was not increased because the cushion above the cumulative preservation of capital of the investment pool had decreased from $133 million at April 2015 to only $6.6 million at April 2016 due to a year of almost zero return. From May to December 2016, returns have been more positive with an actual investment return rate of 8.3%. Given the return for the year so far, the plan is to increase the payout by 2% for April 2017 to $7.86 per unit. If investment return remains unchanged for the rest of the year, after a payout of $7.86 per unit, the cumulative preservation of capital is expected to increase to about $55 million above the desired cumulative inflation protection.

For the remaining four years in the planning period, the payout rate is assumed to remain at $7.86 as a precautionary measure. In 2017-18 the projected payout rate results in $43 million for student aid and $17 million for chairs, reflected in the operating budget.

Investment Income

Investment income projections have been reduced relative to last year's budget due to investment rates being lower on average by 0.5%. The University receives interest on short- and medium-term investments of the Expendable Funds Investment Pool (EFIP.) The investments are primarily managed by the University of Toronto Asset Management Corporation (UTAM). Investment income makes up a small but important portion of total operating revenue (under 2%) and fluctuates with market conditions.

The projection is based on assumptions of cash balances, revenue and expenditure rates, divisional reserve balances, transfer of operating funds to capital funds, cash donations, research revenue forecasts, and investment return rates. The UTAM return rate assumption over the next 5 years is assumed to rise from 1.21% in 2017-18 to 2.59% by 2021-22. Capital available for investment has increased relative to last year's projections due to higher levels of student fees, donations, capital grants and lower capital expenditures.

Sales, Services and Sundry Income

This income source of $122 million in 2017-18 includes application fee revenue, service charges on unpaid fees, real estate rental income, licensing revenue from commercialization, and revenue collected directly by divisions for general sales and services.

Canada Research Chairs

The federal allocation of CRC chairs is based on a rolling average of proportional shares of federal tri-council funding. Several years ago the University began to experience a reduction in our allocation of CRC Chairs, bringing the number as low as 232. Over the last few years, commensurate with increased federal tri-council funding received by the University, the number of CRC chairs has increased to 248 and is projected to increase to 254 by the end of the planning period; projections include a 5% vacancy rate and "flex" moves, in which two Tier II chairs can be combined to form one Tier I chair or vice versa at the discretion of the University.

Institutional Costs of Research on Grants and Contracts

This category includes recovery of indirect operating costs from research grants and contracts. Although direct research expenditures are recorded in restricted funds, indirect costs incurred in support of research (e.g. occupancy, information technology, research services, human resources, library acquisitions and services) are recorded in the operating fund. The University incurs roughly $0.55 in operating costs related to each $1.00 in direct research expenditures, and recovers a portion these costs from restricted research funds based on the indirect cost rate specified in each individual grant or contract.

Most research sponsored by NSERC, SSHRC, CIHR and Networks of Centres of Excellence funding programs generates indirect cost funding from the federal Research Support Fund (previously named the Indirect Costs Program). The University of Toronto's share of the Research Support Fund results in an effective rate of federal indirect costs recovery of 17.3% for 2017-18. Budget projections assume the value, at $20.6 million for campus-based research in 2016-17 will increase to $22.7 million in 2017-18 and then will remain constant over the planning period.

The $114 million Medicine by Design initiative funded by the Canada First Research Excellence Fund includes $19 million for on-campus indirect costs over a seven year period. The recovery amount will vary annually based on the timing of direct expenditures in the Medicine by Design program, from $2.9 million in 2017-18 during the initial phase of the project in 2017-18, to $1.7 million in the final year of funding in 2021-22.

Revenue from indirect costs on private sector-sponsored and other research funding agreements, and funds awarded through the Ontario Ministry of Research and Innovation (MRI) is projected to increase from $11.6 million this year to $13 million next year and throughout the planning period. The majority of the MRI funds are from the Ontario Research Fund Research Excellence (ORF-RE) program. Projections for the ORF-RE include existing funding and have not assumed future competitions, given some degree of uncertainty about provincial capacity to continue the program.

Funding from the provincial Research Overheads Infrastructure Envelope (ROIE) is projected to remain constant at $11 million over the planning period. MAESD has indicated that this grant will be rolled into the differentiation envelope of the provincial operating grant in SMA2.

Expenditure Projections

Aggregated expenditure projections are included in Appendix A, Schedule 1. More detailed views are included in Appendix A, Schedule 3 outlining projections for each university-wide "cost bin" and UTM and UTSC campus costs, and Appendix A, Schedules 4 and 5 outlining expense budgets for each academic division.

With the requirement to fund the pension solvency deficit, the declining proportion of revenue from government funding, and restriction under the provincial tuition framework, we must remain restrained in our allocation of resources, while ensuring we maintain standards of excellence in teaching, research and the student experience. Expenditure allocations are proposed within these competing constraints and priorities. Decisions on the allocation of resources across the institution take into consideration a balance between the rates of expenditure increase in the administrative divisions vs. the academic divisions.

Commensurate with revenue increases, total expenditures are projected to increase by 6.7% from $2.32 billion in 2016-17 to $2.47 billion in 2017-18. Investments in important strategic initiatives will continue to be funded across academic and service divisions. A cost containment of $2 million (1%) will be applied to the shared service divisions in 2017-18. Academic divisions are responsible for their own increases in expenses, including the cost of compensation increases, and they will implement internal cost containment measures according to their individual circumstances.

Compensation Assumptions

Approximately 60%[2] of operating budget expenditures fund salaries and benefits and another 4% funds pension special payments and related costs.

Compensation expense increases are due both to negotiated increases, if any, for employees, the hiring of additional faculty and staff needed to support the growth in student enrollment and research activity, and to increases in the cost of some benefits.

The Broader Public Sector Accountability Act contains provisions, enacted as part of the June 2012 Budget, for compensation restraint with respect to "designated executives" at listed broader public sector institutions, including the University. These restraints apply to the President, Vice-Presidents, Vice-Provosts, Principals, Deans, Assistant Vice-Presidents and a number of senior Professional Staff. On December 9, 2014 the Ontario Government passed Bill 8 "Public Sector and MPP Accountability & Transparency Act, 2014" which outlines some changes and timelines to the restraint legislation currently in place however any impact will not be seen until an executive compensation framework for the University of Toronto is established. Development of this framework is underway and must be in place by September 2017. In the meantime the status quo on compensation restraint applies.

One of the Government's priorities, shared by the University, has been to ensure the long term sustainability of pension plans. The University has been successful in negotiating increased employee contributions with all employee groups, meeting the Government's requirements for granting solvency relief. However, low interest rates are resulting in a continued and growing deficit and the Government has encouraged Universities to consider adopting joint risk sharing through jointly sponsored pension plans (JSPP's). The University is actively participating in ongoing discussions with a number of other Ontario Universities with respect to a multi-Employer JSPP and, at the same time, is continuing discussions with UTFA, USW, CUPE, and other employee groups with respect to the long term sustainability of the University's plan.

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[2] Note that this percentage is calculated on the cash basis (which is the basis upon which the operating budget is prepared); the financial statements are prepared on the accrual basis and in that case compensation makes up about 63% of operating expenditures when employee future benefits are excluded and 73% when employee future benefits are included.

Academic divisional budgets must cover the full cost of compensation increases, if any. Shared-service divisions receive central funding to cover compensation increases. Budgets for all divisions have been constructed based on the following assumptions:

- The standard benefit rate (SBR) will decrease from 24.75% to 24.00% for appointed staff and will remain at 10% for non-appointed staff in 2017-2018. The SBR covers legislated and negotiated benefits. The decrease is as a result of salaries growing faster than the cost of benefits combined with a lower average rate of payroll deductions since most salaries are now above the maximum legislated salary for CPP and EI.
- The Provincial Government *Broader Public Sector Accountability Act, 2010 (BPSAA)* is still in effect.
- Compensation increases for all University employees are assumed to be as per negotiated agreements or, in the case of ongoing negotiations, as per the University's offer. In the case where there is no agreement or offer in place, divisions plan for compensation increases within the context of the University's structural deficit constraint (see further information of the structural deficit later in this report.) If compensation increases result in an overall cost greater than planned by a division, the division will be required to reallocate resources or to implement a cost containment. The same planning framework applies to planning for compensation increases at the centre for shared service divisions.
- The *Broader Public Sector Executive Compensation Act, 2014, Bill 8* has passed however will not be in effect until a new executive compensation framework for the University of Toronto is established.
- The University will be engaged in collective bargaining throughout 2017-18 with a majority of unions, and the Faculty Association.

Pension special payments and pension-related costs

Original pension contribution strategy

The Budget Report for 2012-13 addressed a $1 billion pension going concern deficit and about a $1 billion solvency deficiency at July 1, 2011. The planned strategy[3] for dealing with this deficit was projected to require an increase of $70 million per annum to the pension annual special payments budget, increasing it from $27.2 million per annum in 2010-11 to $97.2 million by 2015-16. This operating fund pension special payments budget funds special payments into the registered pension plan, and other related costs, including Pension Benefits Guarantee Fund payments, the potential cost of issuing letters of credit, and the costs related to the lump sum payments element of the strategy which included principal and interest payments on up to $150 million of borrowing and SRA payments

[3] The pension contribution strategy anticipated in the 2012-13 Budget Report was approved by the Business Board in May 2012, based on pension results to July 1, 2011

to pensioners. This annual special payments budget was expected to remain in place at this level until at least 2029.

Update to July 1, 2016[4] pension results

Both the overall economic and financial climate and the regulatory landscape continue to be uncertain with respect to pensions. Interest rates continue to be very low, making it much more difficult to achieve our target investment return in the long-term. Longevity continues to increase, making the same pension benefits more expensive. In 2014, reflecting these trends, the discount rate and the longevity assumption were changed, increasing the funding requirement both from a current service cost perspective and from a going concern and solvency perspective. We continue to monitor these assumptions for possible future changes that could further increase funding requirements.

Actual experience and University special payments have resulted in improvements to the going concern deficit between 2011 and 2016 (from a deficit of about $1 billion in 2011 to a deficit of $573.1 million in 2016) but lower interest rates and increases in longevity have resulted in deterioration in the solvency deficiency (from a deficiency about $1 billion in 2011 to a deficiency of $1.681 billion in 2016).

Under the most recent version of the Ontario Government's temporary solvency funding relief program net solvency deficit payments for our pension plan will begin July 1, 2018. The amount is currently estimated at about $15 million per annum, reflecting additional solvency funding relief announced in 2016, in addition to the going concern pension special payments currently required which are $78.7 million per year. The Ontario Government is also considering permanent changes to its solvency funding regime, but those changes have not yet been determined.

Discussions continue with respect to creating a jointly sponsored pension plan for a small group of Ontario Universities as well as the potential for a University of Toronto jointly sponsored pension plan. Both of these initiatives are forward – looking and would not address the going concern or solvency deficits, which reflect past experience. These discussions are expected to continue to the end of June 2017, the results of which will underpin a revision of the pension contribution strategy, which will be submitted to the Business Board for approval once the work has been completed.

In the meantime, as a placeholder until the actual required additional funding is determined, $5 million per year is being added to the pension special payments budget for each year of the long-range budget plan, increasing this budget line to $127.2 million per year by the end of the planning period.

Academic Expense Budgets

This budget line includes the majority of the funds that are managed by the academic divisions. Future unspecified allocations to academic divisions from the University Fund are included on the University Fund budget line. Under our budget model each division receives an expense budget equal to net

[4] July 1, 2016 is not a filing year for pension results. The actuarial valuation was most recently filed with the Financial Services Commission of Ontario (FSCO) at July 1, 2014, and the current service payments and special service payments identified in that 2014 report continue to be required until the next required filing date as of July 1, 2017.

revenue plus an allocation from the University Fund, as described earlier. Academic divisional plans include hiring of tenure and teaching stream faculty across many divisions, enhancement of student services, funding of all compensation increases, allocations for renovations and upgrades of laboratory and office space, principle and interest payments for divisions holding mortgages, and funding for research stream and professional master's graduate students. Some examples of current academic initiatives and priorities include:

- New academic tenure and teaching stream hiring is planned across many divisions with the objective of maintaining and enhancing the quality of the student experience and building new programs in emerging areas. Some divisions remain focussed on reducing the student faculty ratio, particularly in the three Arts and Science divisions. Divisional plans include adding 61 additional faculty in 2017-18;
- The Faculty of Arts & Science has announced increases to graduate student funding levels to be phased in over 2017-18 and 2018-19 (building on an increase previously implemented in 2016-17); several other divisions will follow suit;
- The School of Graduate Studies continues to work with divisions and graduate units to put in place supports and incentive structures to improve outcomes for doctoral students, as measured by time-to-degree, student retention and job placements;
- Divisions are developing new course delivery methods, including fully online courses, hybrid and inverted courses;
- International enrolment is projected to remain strong across arts and science programs at all three campuses, in the Faculty of Applied Science & Engineering, the Daniels Faculty of Architecture and Landscape Design and many professional master's programs. Divisions are reviewing recruitment practices, in collaboration with the new Vice-President International portfolio, with the objective of diversifying the international student population. They continue to invest in additional academic programming, co-curricular programming, and counselling and support services to ensure the success of our international students;
- Academic plans call for increased experiential learning, entrepreneurship and research opportunities and work-integrated learning for students, not just in the traditional professional programs but across a wide array of science, humanities and social science programs;
- Several divisions will be increasing funds available for new faculty start-up funding;
- Several divisions are planning increases in financial aid programs, funded from operating budgets as well as fundraising initiatives;
- Development of new double degree programs at the undergraduate level continues;
- As new space comes online divisions will require additional spending on occupancy costs;
- Divisions are contributing funds to match federal and provincial funds for the renewal of laboratory space under the federal Strategic Investment Fund (SIF) program; divisions will contribute a total of $92 million from operating reserves;

- Many capital projects are planned over the next five years include North2 and Davis2 at UTM, Instructional Centre, Student Life Centre/Residence and Highland Hall at UTSC, renovations in several Arts & Science buildings at the St. George campus, the Site 12 academic tower, renovations at University College and the Centre for Civilizations and Culture on Queen's Park. Divisions will provide a portion of the funds for these buildings from their operating reserves. In all cases deans continue to strive for increased support from donors toward these important projects.

University Fund

As noted above, the University Fund (UF) is the non-formulaic portion of an academic division's budget, intended to provide funding in accordance with the University's academic values and priorities. Each year the Provost has 10% of incremental (unrestricted) operating revenue available for distribution to academic divisions. The distribution is made after all annual budget reviews have taken place, and takes into consideration divisional and University-wide academic priorities. The total amount available for allocation in 2017-18 is $18 million; the incremental base available is $13 million and there is $5 million available as one-time-only funds allocated in prior year become available for new allocations. Over the 5-year planning period the Provost is projected to have about $57 million available for allocation to academic divisions through the University Fund. In 2017-18 the theme of the University Fund is *Advancing our Priorities* and allocations will be made in across four priority categories:

1. Undergraduate and International Experience

- An allocation of $1.5 million (base) to create 15 administrative positions to work within academic divisions in support of international student recruitment and student mobility in terms of study abroad and exchange opportunities. Twenty percent of each position will be available for cross-divisional initiatives in collaboration with the Office of Student Recruitment and the Centre for International Experience. The allocation includes positions for:
    - Faculty of Arts & Science – 4 FTE
    - UTM – 2 FTE
    - UTSC – 2 FTE
    - Faculty of Applied Science and Engineering – 1 FTE
    - Faculty of Medicine – 1 FTE
    - OISE – 1 FTE
    - School of Graduate Studies – 1 FTE
    - Single Department Faculties Pool – 3 FTE
- An allocation of $1.3 million (base) to create 10 wellness counsellor positions that would augment existing resources in support of student mental health, additional to those that have been funded through student fees and previous budget allocations. The 80% of each position will follow the embedded counsellor model of service provision; distribution is informed by the Student Health & Wellness Centre's analysis of need. Twenty percent of each position will be

devoted to the provision of services in the Tri-Campus Sexual Violence Prevention and Support Centre. This allocation includes positions for:

  - Faculty of Arts & Science – 2 FTE (split between New College (0.5 FTE); University College (0.5 FTE); and Woodsworth College (1.0 FTE shared with TYP))
  - UTM – 1.5 FTE
  - UTSC – 1.5 FTE
  - Faculty of Applied Science and Engineering – 1 FTE
  - Faculty of Medicine – 1 FTE
  - Faculty of Nursing – 1 FTE
  - School of Graduate Studies – 1 FTE
  - Faculty of Dentistry – 0.5 FTE
  - Faculty of Pharmacy – 0.5 FTE

- An allocation of $1 million (one-time-only for 3 years) to support proposals for initiatives that enhance undergraduate research and career development, which may include work-integrated learning and experiential learning. The fund will be managed by the Vice Provost, Innovations in Undergraduate Education.

2. Diversity and TRC Related Supports

- An allocation of $2.5 million (base) for 20 faculty and 20 staff positions to support the initiatives called for in the *Final Report of the Steering Committee for the U of T Response to the Truth and Reconciliation Commission of Canada*. The funds will be held in a central pool until positions are filled, allowing for maximum flexibility in where the hires are made. Positions will be funded at 50% of starting salary and benefits.
- An allocation of $1.5 million (one-time-only for 1 year) as matching funds for the conversion of existing space, including co-curricular space, to space that is welcoming to members of our Indigenous community.
- An allocation of $200,000 (base) for one faculty appointment as the Director of the Transitional Year Programme.
- An allocation of $750,000 (one-time-only for 3 years) to build on the initiative started last year to increase the diversity of divisional faculty complement across the three campuses. This allocation provides support for 50% of salary and benefit costs for an additional 10 faculty hires, bringing the total to 40 faculty hires when combined with last year's allocation. These hires will be part of divisional approved complement plans and meet the division's definition of underrepresented groups as outlined in a diversity plan prepared by each division.

3. Cities Initiatives

- An allocation of $1.5 million (base) to cover the costs of the initiatives being proposed by academic divisions in the area of cities research.

- An allocation of $1 million (one-time-only for 1 year) to renew institutional performance spaces that serve students and the public.

4. **Structural Budget Support**
   - An allocation of $3.5 million (base) for a Provostial Reserve for structural budget support to be allocated to academic divisions facing budget challenges. Specific allocations will be determined as the impact of future SMA and SMA enrolment-related changes becomes clear.
   - An allocation of $1.6 million (base) to maintain our existing research strength in the area of high performance computing.
   - An allocation of $2 million (one-time-only for 1 year) to be used for capital project matching.

Student Aid Expenditures

A breakdown of proposed student aid budgets for 2017-18 to 2021-22 is displayed in Appendix A, Schedule 3. Total spending is projected at $200 million for 2017-18, growing to $228 million over five years. Note that this amount excludes external funding and internal employment income for doctoral stream graduate students.

The greatest portion of student aid is derived from operating funds, followed by funding from endowments, and then provincial scholarship grants. The funds are managed through both centralized programs as well as divisional programs.

Undergraduate and graduate students at the University of Toronto have access to a wide range of financial supports through the University in addition to those available through government loan and grant programs like the Ontario Student Assistance Program (OSAP). Some are based on need, and others on measures of merit, such as academic achievement or leadership. There are supports for international and Canadian students as well as dedicated supports for students with disabilities.

As articulated in the Governing Council Policy on Student Financial Support (approved by Governing Council in April 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." The University of Toronto's Policy on Student Financial Support sets out the principle that students should have access to the resources that will enable them to meet their financial needs, as determined through the same methodology used by the Ontario Student Assistance Program (OSAP). In practice, this means that the University provides institutional student aid to qualified students whose financial need is greater than what OSAP provides. This aid is provided as non-repayable grants for direct-entry undergraduate students and as a combination of non-repayable grants and access to a preferred line of credit for students in professional master's and second-entry undergraduate professional programs. This commitment goes beyond the requirements of the Province of Ontario's Student Access Guarantee (SAG), which defines institutional requirements for meeting a student's financial needs. SAG requires institutions to provide non-repayable aid to assist direct-entry undergraduate students with expenses related to tuition, books and supplies not covered by OSAP; the University of Toronto <u>also provides aid</u>

for living expenses. The Province requires each institution to meet no less than 20 per cent of the aggregate value of snapshot tuition/book shortfalls of its second-entry students using non-repayable assistance. In 2015-16 the University provided $38 million in non-repayable aid to undergraduate students over and above our $20 million SAG requirement.

The 2016 Ontario budget announced a fundamental restructuring of the Province's financial aid system, to begin in 2017-18. The goal is to modernize financial assistance by introducing a system that is more progressive, effective and transparent for students and will provide students who have the greatest need with better access to grants upfront.

The changes will be rolled out in two phases. In 2017-18, a new single upfront grant, called the Ontario Student Grant (OSG), will be established, redirecting all funds previously provided to students through Ontario Tuition Grant (the "30% off grant"), the Ontario Student Opportunity Grant (which helps students reduce their Canada-Ontario student loan debt), Ontario Access Grants (for students from low and middle-income families) and other grants offered by OSAP. The Province has stated that under the new OSG, students from families with income under $50,000 will have no provincial debt; that more than 50% of students from families with incomes under $83,000 will receive non-repayable grants that exceed university tuition; and that all students will be the same or better off than under the old OSAP programs. In addition, the Province will discontinue the tuition and education tax credits and reinvest these funds into the OSG program or other post-secondary programs. A variety of additional enhancements to OSAP are planned as well.

The second phase will see the implementation of net billing for domestic direct-entry undergraduate students, starting in 2018-19. The Province has signaled that net billing will be rolled out for all students in future years. Essentially this means that students will be billed for the net tuition owing to the university: tuition fees plus ancillary fees less OSAP grants and loans, less institutional aid = net amount owing. In order to provide better information to students applying to direct-entry programs[5] at the University of Toronto, we will provide proposed domestic tuition fees for 2018-19, for information, to Governing Council as part of the *Tuition Fee Schedule for Publicly Funded Programs, 2017-18.*

Many details of net tuition billing are still being worked out between universities and the Ministry however we do know some key implications of the change to net billing:

- Students will apply to OSAP a full year ahead of beginning their first year at university;
- Students will have much better information the true cost of attending university at the time they receive an offer, rather than part way through their first year,
- OSAP loans and grants will be flowed to the university, rather than to the student

[5] Includes Arts & Science at the three campuses, Engineering, Music, Kinesiology & Physical Education, and Architecture & Landscape Design.

The single largest financial aid program is the University of Toronto Advance Planning for Students (known as UTAPS), the University's major program for meeting financial need not addressed by OSAP or other government programs. As the Province works through details, the impact of OSAP restructuring on the UTAPS program is not fully established yet.

The UTAPS budget for undergraduate students is projected to increase by $2.6 million in 2017-18 and $14 million over the planning period. In the coming year the financial aid programs for students in professional master's programs, Dentistry DDS and Pharmacy PharmD will transition from the centrally-managed UTAPS program to divisionally-run programs. In the past, divisions have allocated a portion of their funds to the central UTAPS pool of funds and professional master's /DDS/PharmD students have been eligible to receive funds from this central pool. However, it has become clear that allocations to these students from the central UTAPS pool have not been made based on a fully transparent and equitable basis. Therefore, the decision was made to leave the funds that would have been collected from divisions for UTAPS in the local academic divisions to be allocated through divisionally-run programs. We believe this will lead to more informed decision-making at the local level, where divisions are better able to ensure that funds are allocated to those students most in need. For some time students in some professional programs, such as DDS, PharmD, Management and Law, had access to the Scotiabank line of credit which offers a preferred rate of interest. We have now negotiated with Scotiabank to extend the line of credit option to students in all professional master's programs. During the transition, continuing students in these programs will be grandparented under the central UTAPS fund for the duration of their program in order to allow continuity in their financial planning.

The University is launching the Lester B. Pearson International Scholarship program in 2017-18. The program is available to students in direct-entry programs (Arts & Science, UTM, UTSC, Music, Kinesiology, Engineering and Architecture) and is aligned with the President's priority to strengthen international partnerships. Each scholarship will cover tuition, books and living costs for four years. Each year approximately 37 students will be named as scholars. Funds will be provided from a combination of international tuition revenue and fundraising.

Our graduate students receive support from several sources. Some of this is reported as part of student aid in the operating budget and some comes from other sources, such as research stipends, external awards and employment income from positions as teaching assistants. In total our graduate students received support of $273 million in 2015-16.

University-wide Costs

University-wide costs charged to academic divisions in 2017-18 are projected to total **$552 million**, comprised of:

1) **$284 million in portfolio operating budgets** for compensation and other expenses incurred in the provision of shared services;

2) **$120 million in non-discretionary expense budgets** for targeted, required institution-wide costs such as utilities, banking, audit, insurance and legal fees, payments under agreements with the federated colleges, municipal taxes, collective bargaining commitments, and licensing fees for existing institutional IT systems;

3) **$107 million in pension special payments,** as described in the pension section of this report; and

4) **$41 million in academic and administrative initiative funds** administered by multiple shared service units held as specific initiative funds for distribution to academic divisions throughout the year. This includes funds such as the International Fund, Major Research Project Management Fund, the Doctoral Expansion Incentive Fund, the Provost's Matching Fund and the Instructional Technology Fund.

For budget allocation purposes, the above costs (known in aggregate as university-wide costs) are grouped into twelve costs bins.

Shared service divisions play a vital role in providing faculty, students, and academic administrators with physical, technological, and human resources in support of teaching and research. For budget accountability purposes, the shared services are organized into 11 portfolios:

University Advancement	International
Communications	UT Libraries
Finance Division	University Operations
Governing Council	Provost's Division
Human Resources & Equity	Research and Innovation
Government Relations	

Occupancy costs, including utilities, maintenance and caretaking, and deferred maintenance make up the single largest university-wide cost category. A few key features of these cost projections include:

- Utility costs are projected to increase by approximately 4% in 2017-18. Hydro costs, which represent the single largest component of the utilities budget, are expected to increase by 17%. Water costs are expected to increase by 9%, while gas and oil costs are expected to decrease by 14% and 36%, respectively. All three campuses continue to invest in energy reduction programs to mitigate the impact of rising utility costs;
- As new space comes on line in outer years, utility and caretaking costs are projected to increase. Under the University's budget model, academic divisions are responsible for covering the operating costs of their space;
- The operating budget sets aside approximately $17 million annually (growing to about $20 million in 4 years) for deferred maintenance at St. George and additional funds at UTM and UTSC. Additional resources are available to address deferred maintenance through the provincial Facilities Renewal Program (FRP) program;
- The Academic and Campus Events (ACE) office manages 300 classrooms; while some classrooms have been rejuvenated and transformed, over 200 instructional spaces remain in relatively poor condition and do not reflect the diversity of learner needs. Investments are planned over the five-year planning cycle to upgrade and revitalize the classrooms. The cost is estimated at $12 million. Funds will be provided from a combination of rental income and $1.5 million per year from the operating budget; feedback from users and academic division stakeholders will continually inform the plan as it rolls out;

The central library cost bin is the second largest university-wide cost, including budgets for many centrally funded libraries. The budget includes the cost of collections, space and administrative and librarian services associated with the central library system. Additional funding is proposed for 2017-18 aligned with the library's strategic plan. Proposals for funding include:

- An increase of 5.3% on the cost of electronic acquisitions plus $250k base budget dedicated to distinct collections;
- Expansion of librarian capacity in areas such as bibliometrics, records management and accessibility;
- Expansion of the TALint student mentorship program;
- Upgrade of graduate student carrels (phase 2 of 2)

Following are a few of the key priorities for other shared services for which new funding is proposed in 2017-18:

a) Additional funds are proposed in the Research and Innovation portfolio to provide staff in support of inventions and commercialization, license and disclosure and research oversight and compliance;

b) Additional funds are proposed for the Provost's portfolio for financial aid and admissions counsellors;

c) Additional funds are proposed to strengthen staffing in the Human Resources portfolio in the areas of immigration, labor relations, diversity and communications;

d) In the area of IT services continued investments are planned for the next instalment on the multi-year new student system (NGSIS), network infrastructure upgrades, expansion of the wireless network (last of six planned upgrades), and data visualization software;

e) Funding will be provided over the next several years to support extension of the Boundless fundraising campaign to reach the $2.4 billion goal. Funds will also be provided to support IT related initiatives;

f) In 2015-16 the University created a new Communications portfolio. The first year of the new portfolio was funded on a one-time-only basis through existing resources from University Relations, Research and Innovation, and Advancement. In 2017-18 new resources will be allocated to enhance the capacity of the new portfolio and to fund the marketing plan;

g) Several inter-portfolio initiatives will be funded in 2017-18 including staffing to implement the new policy on Sexual Violence, production of the UofT Magazine, and staffing to mitigate risk related to environmental health and safety.

The Federated Block Grant reimburses the Federated Universities for the provision of registrarial and library services, and the cost of space. These payments are calculated based on a methodology outlined in the Memorandum of Agreement, which includes a year-end adjustment for the actual cost of utilities. The Memorandum has expired and a new agreement is under discussion; the budget assumes the terms of the old Memorandum will continue.

UTM and UTSC Campus Costs

The University of Toronto Mississauga and University of Toronto Scarborough function both as campuses and as academic divisions. These costs include expenses for the offices of the Principals, occupancy costs (utilities, caretaking, grounds, etc.) and Student Life services on campus, defined in a manner parallel to the costs required to administer St. George at the campus level.

Flow-through revenue to other institutions

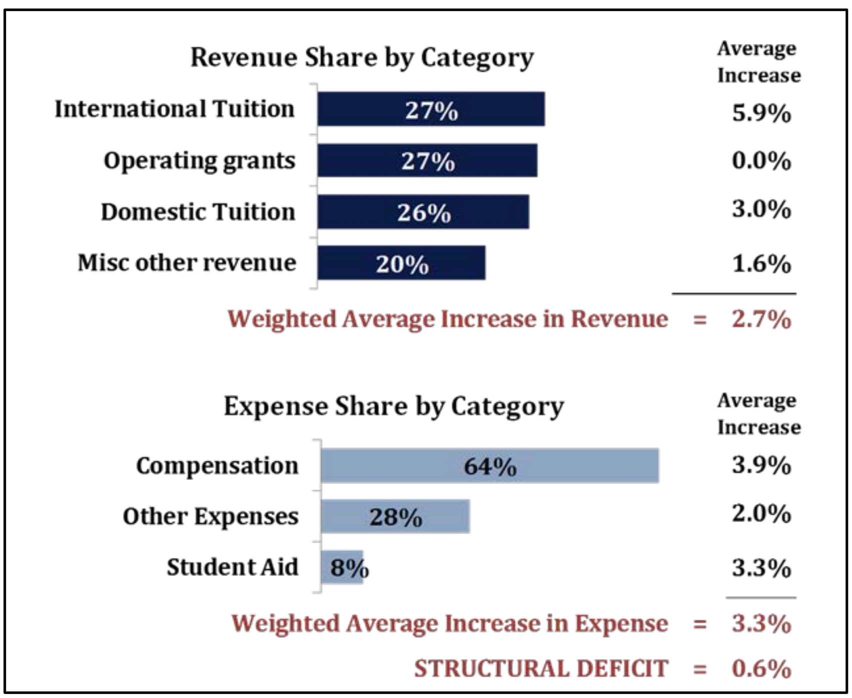
Several university programs include joint activities with other institutions, which aligns with our SMA objective of improving collaboration, pathways and student mobility. This expense category captures those portions of university revenue that flow to collaborating institutions. It includes:

- Canada Research Chair revenue flowing to hospitals;
- Provincial grant revenue flowing to the Toronto School of Theology; and
- Grant and tuition revenue flowing to the Michener Institute and Sheridan and Centennial Colleges with which the University offers joint programs.

The Structural Budget Challenge

Like many publicly funded research intensive universities, the University of Toronto is facing a potential structural budget challenge with expenses rising faster than revenue. The weighted average rate of revenue growth is projected to be 2.7% when enrolment levels and enrolment mix reach the long term goals, often referred to as “steady state.” In other words, when the University reaches its domestic and international, graduate and undergraduate enrolment targets, and is no longer relying on growth in student numbers, it is expected that revenues will increase at about 2.7% per year. Contrasted against this, is the anticipated “steady state” weighted average rate of growth on the expense side of the budget is approximately 3.3%. This leaves a notional structural budget annual gap of 0.6% at steady state. Last year’s budget report estimated the structural deficit at 1.0%. The reduction this year is due to the lower cost of recent compensation increase agreements with faculty and staff, dropping the average increase from 4.4% to 3.9%. <u>It is important to note that the compensation increase number of 3.9% is an average of all employee group agreements over the last five years; it is not a projection for the future.</u> (The 4.4% figure is an average of the previous five years; the calculation is done on a rolling basis.) As compensation is the single largest expense in the operating budget, this decrease has a substantial impact.

Figure 2: Structural Budget Challenge at the University of Toronto



The University is actively pursuing strategies that align with our academic mission that will enable us to close this gap. On the revenue side we are exploring opportunities to diversify revenue sources through innovative new undergraduate and graduate programs, development of real estate assets, building the endowment and increasing expendable gifts through extension of the Boundless campaign, advocacy with the federal government to increase the indirect costs of research rate to at least 40%, and negotiation with the provincial government under the differentiation framework. On the expense side the single largest cost is compensation for faculty and staff. Containing annual increases of salaries and benefits to no more than the rate of revenue growth would be one of the most powerful strategies we could pursue. And finally, we are continually implementing prudent financial controls and seeking operational efficiencies through programs such as the data centre integration, implementation of innovative teaching and administrative technology, classroom usage optimization, and many other initiatives.

Inter-fund Transfers

Within the approved budget process, the Provost has discretion to make allocations from operating funds in support of academic initiatives. In the last few years, and more recently with the launch of the Boundless Campaign, the University has sought external donations to enhance academic initiatives by establishing matching programs to create endowments and other trust funds. To meet these commitments some divisions have earmarked operating funds within their budgeting process. Others have sought to use operating funds to established or augment endowments as the most effective way to implement an initiative. An example of this includes the College ONE program in which $500k was allocated to each of the associated colleges in support of programs for first year students in residence. Many colleges chose to endow this funding and/or use it as matching leverage for donations to their ONE program, to ensure the financial sustainability of the program. In keeping with the Policy on Inter-fund Transfers, decisions for the commitment of operating funds for restricted fund purposes do not need further approval when they are approved within the budget process. To balance the integrity of operating funds with divisional plans, the Provost is authorized to transfer operating funds to restricted and other funds up to $2 million per instance, based on requests from the budget authority for those sources.

Long Range Budget Guidelines **Appendix A**

Projection of Operating Revenue and Expenses ($ millions) **Schedule 1**

2017-18 to 2021-22

Projection of Operating Revenues	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Student Fees	$ 1,368.1	$ 1,508.0	$ 1,615.6	$ 1,711.4	$ 1,815.6	$ 1,919.3
Prov. Gov't Grants for General Operations	660.4	656.9	663.6	665.4	671.0	673.7
Subtotal - Grants and Student Fees	**2,028.4**	**2,164.9**	**2,279.2**	**2,376.8**	**2,486.6**	**2,593.0**
Investment Income - Endowments	59.0	60.7	61.9	62.9	63.7	64.8
Investment Income - Other	30.4	36.2	43.4	48.1	54.9	66.6
Sales, Services & Sundry Income	116.4	122.2	125.7	131.1	135.3	139.2
Subtotal - Operating Revenue	**2,234.2**	**2,384.0**	**2,510.2**	**2,618.9**	**2,740.5**	**2,863.6**
Recovery from Canada Research Chair Grants	37.5	37.7	35.8	35.8	35.8	35.8
Recovery of Institutional Costs of Research	46.1	51.0	51.4	52.0	50.6	49.9
Total - Operating Revenue & Recoveries	**$ 2,317.8**	**$ 2,472.6**	**$ 2,597.3**	**$ 2,706.6**	**$ 2,826.9**	**$ 2,949.2**

Projection of Operating Expenses	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Shared Services Costs	424.7	444.3	465.1	481.5	500.0	516.5
Pension Deficit Funding	102.3	107.2	112.2	117.2	122.2	127.2
Sub-total, Net Expenses in Cost Bins	**527.0**	**551.5**	**577.3**	**598.7**	**622.2**	**643.7**
U-W costs offset by shared services income	114.3	119.9	123.5	127.2	131.0	134.9
UTM and UTSC Campus Costs	80.8	90.7	95.2	100.0	105.0	110.2
Sub-total, University-Wide Costs	**722.1**	**762.1**	**796.0**	**825.8**	**858.1**	**888.9**
Academic Expense Budgets (Excl St. Aid)	1,366.5	1,472.8	1,562.1	1,635.2	1,713.0	1,796.9
Student Aid Expenditures	190.7	200.0	204.1	211.8	220.4	227.6
University Fund (unallocated portion)	14.2	12.8	11.6	9.9	11.2	11.2
Flow-through to Other Institutions	24.3	24.9	23.5	23.8	24.2	24.6
Total - Operating Expenses	**$ 2,317.8**	**$ 2,472.6**	**$ 2,597.3**	**$ 2,706.6**	**$ 2,826.9**	**$ 2,949.2**

Long Range Budget Guidelines **Appendix A**

Details of Operating Grants and Student Fees ($ millions) **Schedule 2**

2017-18 to 2021-22

Prov. Gov't. Grants for General Operations	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Base Operating Grants	514.1	514.1	514.1	514.1	514.1	514.1
Undergraduate Enrolment Growth	28.0	25.2	27.9	28.1	32.0	33.0
Graduate Enrolment Growth	29.9	29.8	34.2	36.0	38.0	40.2
Medical Expansion (MD and Residents)	32.3	32.3	32.1	31.7	31.2	30.6
Undergraduate Nursing	3.6	3.5	3.5	3.5	3.5	3.5
Access to Higher Quality Education Fund	24.2	24.2	24.2	24.2	24.2	24.2
Key Performance Indicators	3.8	3.8	3.8	3.8	3.8	3.8
Clinical Education	4.0	4.0	4.0	4.0	4.0	4.0
Ontario Graduate Scholarships	9.8	9.8	9.8	9.8	9.8	9.8
Ontario Trillium Scholarships	1.6	1.6	1.6	1.6	1.6	1.6
Municipal Tax Grant	4.9	5.0	4.9	5.0	5.0	5.1
Teacher Education Envelope	11.7	11.7	11.7	11.7	11.7	11.7
International Student Recovery	(10.5)	(11.6)	(11.8)	(11.8)	(11.8)	(11.8)
Accessibility for Students with Disabilities	3.1	3.5	3.6	3.7	3.8	3.9
Total, Gov't Grants for General Operations	**660.4**	**656.9**	**663.6**	**665.4**	**671.0**	**673.7**

Student Fees	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
For-Credit Tuition Fees	1,187.0	1,312.7	1,414.6	1,504.5	1,602.6	1,700.1
Continuing / Exec.Ed Tuition & Ancillary Fees	181.0	195.3	201.0	206.9	212.9	219.2
Total, Student Fees	**1,368.1**	**1,508.0**	**1,615.6**	**1,711.4**	**1,815.6**	**1,919.3**

Long Range Budget Guidelines
Details of Univ-Wide Costs and Student Aid Expense ($ millions)
2017-18 to 2021-22

Appendix A
Schedule 3

University-Wide Costs	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
1. Occupancy	116.8	119.2	126.0	131.2	138.7	142.8
2. Information Technology	33.9	37.6	38.6	39.5	41.8	44.5
3. University Management	22.7	24.7	27.2	29.4	30.7	32.6
4. Financial Management	9.1	9.4	10.2	10.7	11.2	11.8
5. Human Resources	21.4	18.2	19.9	20.7	21.2	22.0
6. Pension Deficit Funding (Academic)	80.5	84.0	87.9	91.8	95.8	99.7
7. University Advancement	26.4	27.1	29.4	30.5	31.5	32.6
8. Central Library	84.5	92.4	95.8	99.3	102.7	106.3
9. Research Administration	18.9	22.3	24.0	25.4	26.6	27.8
10. Registrarial & Student Services	30.5	33.5	34.4	35.1	35.8	36.5
11. University-wide Academic	33.9	34.0	34.0	34.0	34.0	34.0
12. University-wide General	33.2	33.5	34.1	34.8	35.3	35.9
Federated Block Grant	15.2	15.6	16.0	16.4	16.8	17.2
Sub-total	**527.0**	**551.5**	**577.3**	**598.7**	**622.2**	**643.7**
U-W costs offset by shared services income	114.3	119.9	123.5	127.2	131.0	134.9
UTM and UTSC Campus Costs	80.8	90.7	95.2	100.0	105.0	110.2
Total University Wide Expense	**$ 722.1**	**$ 762.1**	**$ 796.0**	**$ 825.8**	**$ 858.1**	**$ 888.9**

Student Aid Expenditures	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
UofT Adv. Planning for Students (UTAPS)	49.4	47.6	46.2	48.2	50.7	54.2
Other Need-based Aid (incl Work Study)	5.6	6.0	6.3	6.6	7.0	7.0
Scholarships	6.7	8.7	11.0	13.7	16.8	18.1
Student Aid from Endowments	22.8	23.9	24.5	25.1	25.5	25.9
Subtotal, Undergraduate	**84.5**	**86.2**	**88.1**	**93.6**	**100.1**	**105.1**
Provincial Scholarship Grants	11.5	11.5	11.5	11.5	11.5	11.5
Student Aid from Endowments	19.0	19.9	20.5	20.9	21.3	21.6
Student Aid Matching Funds	1.3	1.3	1.3	1.3	1.3	1.3
SGS Graduate Fellowships	1.0	2.0	2.0	2.0	2.0	2.0
Doctoral Completion Awards	3.5	3.5	3.5	3.5	3.5	3.5
Subtotal, Graduate	**36.4**	**38.3**	**38.8**	**39.3**	**39.6**	**40.0**
Subtotal, Central Student Aid	**120.9**	**124.4**	**126.9**	**132.9**	**139.7**	**145.1**
Student Aid in Acad Divisions	69.8	75.6	77.2	78.9	80.7	82.5
Total, Student Aid Expense	**190.7**	**200.0**	**204.1**	**211.8**	**220.4**	**227.6**

Long Range Budget Guidelines
Revenue and Expense Allocations by Division for 2017-18

Appendix A
Schedule 4

	Attributed Operating Revenue (A)	10% Contr. to Univ Fund (B)	Share of University Wide Expense (C)	Student Aid Set-Aside (D)	Net Revenue (E=A-B-C-D)	University Fund Allocation (F)	Academic Expense Budget (G = E+F)
Arts & Science	676,128,184	64,432,603	195,563,218	35,927,055	380,205,308	44,547,056	424,752,365
UofT Scarborough	263,995,878	26,110,475	35,362,160	11,778,758	190,744,484	8,018,283	198,762,766
UofT Mississauga	299,715,671	29,648,260	38,705,587	12,295,564	219,066,259	8,961,269	228,027,527
Dentistry	37,201,128	3,541,481	12,923,018	2,438,150	18,298,479	11,825,864	30,124,343
Medicine	194,526,244	16,680,480	82,370,757	15,138,015	80,336,992	20,110,081	100,447,073
Public Health	26,810,566	2,476,998	9,955,016	1,350,781	13,027,771	7,983,643	21,011,414
Nursing	20,033,433	1,878,114	5,652,443	1,469,619	11,033,257	2,455,287	13,488,543
Pharmacy	36,085,919	3,351,109	9,825,683	3,073,910	19,835,218	466,017	20,301,235
Kinesiology and Physical Education	18,493,320	1,781,881	5,681,886	1,287,743	9,741,809	1,753,432	11,495,241
Applied Science & Engineering	221,985,517	20,496,107	70,384,637	14,716,594	116,388,180	16,619,437	133,007,617
Architecture, Landscape & Design	31,810,265	3,116,920	8,694,905	1,928,218	18,070,222	5,828,274	23,898,496
OISE	70,030,678	6,732,712	23,162,565	4,033,173	36,102,228	14,979,796	51,082,023
Forestry	3,633,647	263,384	2,188,081	594,721	587,461	2,562,612	3,150,073
Law	33,949,623	3,229,623	8,354,402	1,489,420	20,876,177	7,152,229	28,028,406
Information	16,273,940	1,572,494	4,628,183	1,219,441	8,853,822	2,746,832	11,600,653
Music	20,275,347	1,866,764	6,866,750	2,346,491	9,195,342	7,103,689	16,299,031
Social Work	13,905,343	1,228,031	4,209,381	1,485,232	6,982,698	1,644,761	8,627,459
Management	109,491,002	10,758,844	23,965,867	3,659,513	71,106,778	7,834,017	78,940,795
Transitional Year Programme	803,997	44,047	503,996	413,494	(157,539)	1,702,728	1,545,188
School of Continuing Studies	433,849	2,872,107	2,542,119	7,576	(4,987,954)	1,612,953	(3,375,001)
Subtotal	2,095,583,550	202,082,433	551,540,657	116,653,470	1,225,306,991	175,908,258	1,401,215,249
Divisional Income	*321,884,636*	-	*119,875,779*	-	*202,008,856*	-	*202,008,856*
Campus Costs and Divisional Aid	-	-	*90,670,585*	*75,558,702*	*(166,229,287)*	-	*(166,229,287)*
Recovery from Restricted Funds	*30,230,440*	-	-	*7,795,303*	*22,435,136*	-	*22,435,136*
University Fund OTO [1]	-	-	-	-	-	*26,174,174*	*26,174,174*
Subtotal (excl flow-through)	2,447,698,625	202,082,433	762,087,021	200,007,475	1,283,521,696	202,082,433	1,485,604,128
Flow-through to Other Institutions	*24,887,671*	-	-	-	*24,887,671*	-	*24,887,671*
Total	2,472,586,296	202,082,433	762,087,021	200,007,475	1,308,409,367	202,082,433	1,510,491,800

[1] Funds have been allocated to academic divisions and will flow in-year on a one-time-only basis.

Long Range Budget Guidelines
Projected Divisional Net Revenue Allocations
2017-18 to 2021-22

Arts & Science	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	635,413,608	676,128,184	711,748,927	741,313,007	779,293,494	818,083,531
University Fund Contribution	(60,618,960)	(64,432,603)	(67,960,473)	(70,880,659)	(74,627,784)	(78,448,286)
University-Wide Costs	(187,765,781)	(195,563,218)	(203,473,642)	(209,981,712)	(217,663,697)	(224,676,269)
Student Aid Expense	(34,005,726)	(35,927,055)	(37,736,673)	(40,135,429)	(43,092,101)	(44,771,025)
University Fund Allocation[2]	42,280,717	44,547,056	44,547,056	44,547,056	44,547,056	44,547,056
Net Expense Budget	395,303,857	424,752,365	447,125,195	464,862,264	488,456,968	514,735,007

UTSC	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	237,011,466	263,995,878	284,493,567	301,095,323	314,558,176	330,716,056
University Fund Contribution	(23,446,630)	(26,110,475)	(28,156,252)	(29,812,711)	(31,156,293)	(32,769,625)
University-Wide Costs	(34,800,720)	(35,362,160)	(37,387,253)	(39,157,219)	(40,713,296)	(42,326,830)
Student Aid Expense	(10,290,637)	(11,778,758)	(13,559,307)	(15,241,013)	(16,837,347)	(17,891,717)
University Fund Allocation[2]	7,605,912	8,018,283	8,018,283	8,018,283	8,018,283	8,018,283
Net Expense Budget	176,079,390	198,762,766	213,409,038	224,902,662	233,869,523	245,746,167

UTM	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	272,252,494	299,715,671	322,950,358	341,363,519	360,496,243	379,458,509
University Fund Contribution	(26,963,020)	(29,648,260)	(31,971,501)	(33,808,744)	(35,727,625)	(37,623,261)
University-Wide Costs	(38,217,865)	(38,705,587)	(40,845,485)	(42,683,251)	(44,382,531)	(46,189,848)
Student Aid Expense	(11,539,084)	(12,295,564)	(13,978,316)	(15,531,130)	(17,195,054)	(18,225,359)
University Fund Allocation[2]	8,629,997	8,961,269	8,961,269	8,961,269	8,961,269	8,961,269
Net Expense Budget	204,162,521	228,027,527	245,116,324	258,301,663	272,152,301	286,381,309

Dentistry	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	36,126,580	37,201,128	38,237,529	39,460,227	40,739,321	42,191,587
University Fund Contribution	(3,441,397)	(3,541,481)	(3,643,388)	(3,764,354)	(3,891,169)	(4,035,362)
University-Wide Costs	(12,579,535)	(12,923,018)	(13,532,009)	(14,039,350)	(14,641,971)	(15,137,268)
Student Aid Expense	(2,747,679)	(2,438,150)	(1,968,663)	(1,350,734)	(599,622)	(608,454)
University Fund Allocation[2]	11,862,517	11,825,864	11,825,864	11,825,864	11,825,864	11,825,864
Net Expense Budget	29,220,487	30,124,343	30,919,333	32,131,653	33,432,424	34,236,368

Medicine	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	189,697,800	194,526,244	199,223,127	204,928,844	209,534,641	214,020,210
University Fund Contribution	(16,136,743)	(16,680,480)	(17,136,130)	(17,679,477)	(18,158,681)	(18,596,545)
University-Wide Costs	(78,861,762)	(82,370,757)	(86,121,870)	(89,167,713)	(92,471,631)	(95,363,097)
Student Aid Expense	(15,199,949)	(15,138,015)	(14,743,887)	(15,014,803)	(15,234,891)	(15,455,106)
University Fund Allocation[2]	18,326,251	20,110,081	20,110,081	20,110,081	20,110,081	20,110,081
Net Expense Budget	97,825,596	100,447,073	101,331,320	103,176,931	103,779,519	104,715,543

Notes:
1. Attributed revenue net of recoveries from restricted funds and divisional income
2. Includes allocations up to and including 2017-18. Flatlined for outer years.

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DLSPH	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	23,681,588	26,810,566	27,677,818	28,509,782	29,416,596	29,974,436
University Fund Contribution	(2,178,038)	(2,476,998)	(2,562,680)	(2,645,142)	(2,735,222)	(2,790,481)
University-Wide Costs	(9,359,032)	(9,955,016)	(10,530,514)	(10,979,631)	(11,434,895)	(11,839,206)
Student Aid Expense	(1,490,572)	(1,350,781)	(873,719)	(871,525)	(878,650)	(883,594)
University Fund Allocation[2]	7,742,439	7,983,643	7,983,643	7,983,643	7,983,643	7,983,643
Net Expense Budget	18,396,384	21,011,414	21,694,548	21,997,126	22,351,471	22,444,798

Nursing	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	21,167,621	20,033,433	21,639,055	22,395,849	22,978,801	23,748,866
University Fund Contribution	(1,981,906)	(1,878,114)	(2,036,156)	(2,109,619)	(2,166,295)	(2,241,682)
University-Wide Costs	(5,589,973)	(5,652,443)	(5,960,253)	(6,214,910)	(6,456,401)	(6,672,060)
Student Aid Expense	(1,717,480)	(1,469,619)	(1,509,380)	(1,557,821)	(1,604,434)	(1,647,566)
University Fund Allocation[2]	2,329,084	2,455,287	2,455,287	2,455,287	2,455,287	2,455,287
Net Expense Budget	14,207,347	13,488,543	14,588,553	14,968,785	15,206,958	15,642,844

Pharmacy	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	34,542,672	36,085,919	36,867,517	38,067,703	39,608,326	41,280,124
University Fund Contribution	(3,203,766)	(3,351,109)	(3,427,650)	(3,545,008)	(3,700,952)	(3,866,991)
University-Wide Costs	(9,146,500)	(9,825,683)	(10,250,037)	(10,610,196)	(11,031,805)	(11,418,274)
Student Aid Expense	(3,450,282)	(3,073,910)	(2,559,911)	(1,997,715)	(1,316,130)	(1,340,362)
University Fund Allocation[2]	348,213	466,017	466,017	466,017	466,017	466,017
Net Expense Budget	19,090,338	20,301,235	21,095,937	22,380,800	24,025,456	25,120,514

KPE	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	16,848,507	18,493,320	19,222,906	19,270,188	19,176,598	19,546,643
University Fund Contribution	(1,626,033)	(1,781,881)	(1,853,679)	(1,857,489)	(1,847,523)	(1,883,875)
University-Wide Costs	(5,099,123)	(5,681,886)	(5,971,047)	(6,145,799)	(6,326,857)	(6,487,845)
Student Aid Expense	(1,174,445)	(1,287,743)	(1,390,213)	(1,463,894)	(1,531,471)	(1,586,786)
University Fund Allocation[2]	1,710,251	1,753,432	1,753,432	1,753,432	1,753,432	1,753,432
Net Expense Budget	10,659,157	11,495,241	11,761,400	11,556,437	11,224,179	11,341,568

APSE	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	210,902,050	221,985,517	228,853,798	236,977,663	252,191,349	266,819,676
University Fund Contribution	(19,787,234)	(20,496,107)	(21,191,633)	(22,003,658)	(23,587,424)	(25,086,473)
University-Wide Costs	(65,553,462)	(70,384,637)	(73,297,796)	(75,726,030)	(78,936,618)	(81,849,083)
Student Aid Expense	(13,793,571)	(14,716,594)	(15,591,392)	(16,427,431)	(17,549,596)	(18,322,431)
University Fund Allocation[2]	15,658,966	16,619,437	16,619,437	16,619,437	16,619,437	16,619,437
Net Expense Budget	127,426,749	133,007,617	135,392,413	139,439,981	148,737,148	158,181,126

Notes:
1. Attributed revenue net of recoveries from restricted funds and divisional income
2. Includes allocations up to and including 2017-18. Flatlined for outer years.

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Architecture, L & D	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	25,585,313	31,810,265	34,582,866	36,523,920	37,349,943	38,770,099
University Fund Contribution	(2,500,955)	(3,116,920)	(3,392,296)	(3,585,034)	(3,666,520)	(3,807,930)
University-Wide Costs	(6,546,980)	(8,694,905)	(9,300,065)	(9,750,110)	(10,114,986)	(10,422,142)
Student Aid Expense	(1,771,736)	(1,928,218)	(1,911,173)	(1,716,344)	(1,676,492)	(1,733,281)
University Fund Allocation[2]	5,651,383	5,828,274	5,828,274	5,828,274	5,828,274	5,828,274
Net Expense Budget	20,417,024	23,898,496	25,807,607	27,300,706	27,720,218	28,635,020

OISE	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	68,567,416	70,030,678	75,534,751	80,407,288	85,404,991	88,615,642
University Fund Contribution	(6,611,395)	(6,732,712)	(7,281,674)	(7,766,737)	(8,264,818)	(8,584,329)
University-Wide Costs	(22,179,223)	(23,162,565)	(24,560,396)	(25,828,375)	(27,155,063)	(28,294,396)
Student Aid Expense	(5,097,745)	(4,033,173)	(2,524,471)	(2,490,047)	(2,506,899)	(2,526,238)
University Fund Allocation[2]	14,848,207	14,979,796	14,979,796	14,979,796	14,979,796	14,979,796
Net Expense Budget	49,527,260	51,082,023	56,148,005	59,301,924	62,458,005	64,190,474

Forestry	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	3,622,451	3,633,647	3,999,764	4,396,960	4,781,344	4,853,566
University Fund Contribution	(266,971)	(263,384)	(298,678)	(337,356)	(374,953)	(381,342)
University-Wide Costs	(2,079,910)	(2,188,081)	(2,316,360)	(2,432,612)	(2,566,937)	(2,671,787)
Student Aid Expense	(601,430)	(594,721)	(607,515)	(621,003)	(632,125)	(642,847)
University Fund Allocation[2]	2,532,508	2,562,612	2,562,612	2,562,612	2,562,612	2,562,612
Net Expense Budget	3,206,647	3,150,073	3,339,823	3,568,601	3,769,940	3,720,202

Law	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	31,509,183	33,949,623	35,327,683	36,751,756	38,370,160	40,017,572
University Fund Contribution	(2,995,777)	(3,229,623)	(3,363,384)	(3,502,573)	(3,661,792)	(3,823,927)
University-Wide Costs	(8,399,649)	(8,354,402)	(8,819,364)	(9,164,535)	(9,559,243)	(9,906,780)
Student Aid Expense	(1,390,168)	(1,489,420)	(1,526,577)	(1,561,065)	(1,587,563)	(1,612,489)
University Fund Allocation[2]	7,389,089	7,152,229	7,152,229	7,152,229	7,152,229	7,152,229
Net Expense Budget	26,112,680	28,028,406	28,770,587	29,675,812	30,713,791	31,826,604

Information	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
Attributed Revenue[1]	13,519,449	16,273,940	16,539,653	17,268,073	17,819,707	18,474,576
University Fund Contribution	(1,297,934)	(1,572,494)	(1,598,072)	(1,670,367)	(1,725,106)	(1,790,153)
University-Wide Costs	(4,302,615)	(4,628,183)	(4,855,242)	(5,014,595)	(5,216,287)	(5,384,965)
Student Aid Expense	(1,453,994)	(1,219,441)	(608,245)	(539,396)	(534,741)	(539,076)
University Fund Allocation[2]	2,740,291	2,746,832	2,746,832	2,746,832	2,746,832	2,746,832
Net Expense Budget	9,205,196	11,600,653	12,224,926	12,790,547	13,090,406	13,507,214

Notes:
1. Attributed revenue net of recoveries from restricted funds and divisional income
2. Includes allocations up to and including 2017-18. Flatlined for outer years.

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Projected Divisional Net Revenue Allocations **Schedule 5**

2017-18 to 2021-22

Music	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Attributed Revenue[1]	20,128,657	20,275,347	20,967,210	22,032,044	22,935,523	24,019,782
University Fund Contribution	(1,860,767)	(1,866,764)	(1,932,068)	(2,035,444)	(2,123,167)	(2,229,231)
University-Wide Costs	(7,040,362)	(6,866,750)	(7,212,860)	(7,520,984)	(7,862,887)	(8,132,862)
Student Aid Expense	(2,338,587)	(2,346,491)	(2,263,190)	(2,344,957)	(2,390,017)	(2,431,953)
University Fund Allocation[2]	6,565,392	7,103,689	7,103,689	7,103,689	7,103,689	7,103,689
Net Expense Budget	15,454,334	16,299,031	16,662,780	17,234,348	17,663,141	18,329,425

Social Work	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Attributed Revenue[1]	13,285,279	13,905,343	14,138,885	14,456,065	14,778,062	15,164,480
University Fund Contribution	(1,186,816)	(1,228,031)	(1,249,021)	(1,278,916)	(1,309,620)	(1,346,773)
University-Wide Costs	(4,088,278)	(4,209,381)	(4,379,464)	(4,527,599)	(4,678,861)	(4,827,938)
Student Aid Expense	(1,816,102)	(1,485,232)	(1,118,767)	(1,123,376)	(1,137,213)	(1,152,962)
University Fund Allocation[2]	1,635,659	1,644,761	1,644,761	1,644,761	1,644,761	1,644,761
Net Expense Budget	7,829,741	8,627,459	9,036,394	9,170,936	9,297,128	9,481,567

Management	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Attributed Revenue[1]	103,542,140	109,491,002	118,470,906	124,184,900	130,587,285	136,360,152
University Fund Contribution	(10,181,808)	(10,758,844)	(11,653,530)	(12,221,638)	(12,859,610)	(13,434,758)
University-Wide Costs	(22,384,020)	(23,965,867)	(25,288,893)	(26,405,882)	(27,458,436)	(28,477,507)
Student Aid Expense	(3,139,115)	(3,659,513)	(3,995,017)	(4,259,247)	(4,596,036)	(4,825,350)
University Fund Allocation[2]	8,000,414	7,834,017	7,834,017	7,834,017	7,834,017	7,834,017
Net Expense Budget	75,837,612	78,940,795	85,367,482	89,132,151	93,507,221	97,456,553

Trans. Year. Prog.	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Attributed Revenue[1]	772,116	803,997	825,357	844,184	861,124	881,805
University Fund Contribution	(42,006)	(44,047)	(45,231)	(46,277)	(47,302)	(48,701)
University-Wide Costs	(463,688)	(503,996)	(522,820)	(539,797)	(558,400)	(575,263)
Student Aid Expense	(397,517)	(413,494)	(427,088)	(438,647)	(448,228)	(457,310)
University Fund Allocation[2]	1,501,303	1,702,728	1,702,728	1,702,728	1,702,728	1,702,728
Net Expense Budget	1,370,208	1,545,188	1,532,945	1,522,190	1,509,921	1,503,259

School of Cont. Studies	**2016-17**	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**
Attributed Revenue[1]	396,619	433,849	504,563	573,111	644,870	761,975
University Fund Contribution	(2,924,056)	(2,872,107)	(2,949,895)	(3,029,237)	(3,110,717)	(3,198,589)
University-Wide Costs	(2,551,706)	(2,542,119)	(2,677,908)	(2,812,757)	(2,960,019)	(3,096,432)
Student Aid Expense	(6,695)	(7,576)	(7,788)	(7,965)	(8,106)	(8,247)
University Fund Allocation[2]	1,698,509	1,612,953	1,612,953	1,612,953	1,612,953	1,612,953
Net Expense Budget	(3,387,329)	(3,375,001)	(3,518,075)	(3,663,895)	(3,821,019)	(3,928,341)

Notes:
1. Attributed revenue net of recoveries from restricted funds and divisional income
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