FOR RECOMMENDATION **PUBLIC** **OPEN SESSION**

TO: Business Board

SPONSOR: Professor Cheryl Regehr, Vice-President & Provost
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PRESENTER: Professor Scott Mabury, Vice-President, University Operations
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DATE: March 5, 2018 for March 21, 2018

AGENDA ITEM: 2

ITEM IDENTIFICATION:

Budget Report 2018-19 and Long Range Budget Guidelines 2018-19 to 2022-23

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. Planning and Budget Committee [for recommendation] (February 28, 2018)
2. Academic Board [for recommendation] (March 15, 2018)
3. **Business Board [for concurrence with the recommendation of the Academic Board] (March 21, 2018)**
4. Executive Committee [for endorsement and forwarding] (March 27, 2018)
5. Governing Council [for approval] (April 5, 2018)

PREVIOUS ACTION TAKEN:

The Budget Report 2017-18 and Long Range Budget Guidelines 2017-18 to 2021-22 were approved by the Governing Council at its April 4, 2017 meeting.

A Governing Council offline information session regarding the Budget Report 2018-19 and Long Range Budget Guidelines 2017-18 to 2022-23 was held on February 20, 2018.

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. These priorities provide institutional context for divisional academic planning, which in turn leads to investment in specific initiatives and activities throughout the University.

The Long Range Budget Guidelines also reflect the content of the University of Toronto's Strategic Mandate Agreement (SMA2) with the Province for the period 2017-2020. This is the second multi-year agreement developed under the Differentiation Policy Framework for Post-secondary Education, and re-confirms the university's leadership role in research and innovation in Ontario.

Total budgeted operating revenue for 2018-19 of $2.676 billion is 8.2% higher than the 2017-18 budget, and 3% higher than last year's long range assumption for 2018-19. This primarily reflects actual enrolment results for Fall 2017, including additional international enrolment at all three campuses, as well as better than anticipated rates of return and investment performance.

Operating revenues are derived primarily (87%) from provincial operating grants and tuition and other student fees, which in turn are fully tied to enrolment. 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. Non-enrolment driven sources of revenue include investment income, endowment income, Canada Research Chairs, funding for the indirect costs of research, and sale of services. The University projects growth in total revenue of $203 million in 2018-19, and growth of $725 million over the planning period.

Total spending for student aid is projected at $224 million for 2018-19, growing to $260 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.

The operating budget reflects the aspirations and service plans in 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, 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, increases to graduate student funding packages and undergraduate financial aid programs, investment in research infrastructure, additional experiential learning opportunities and international experiences, 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 investment in accessible services and accommodations for students with disabilities, 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. Pension solvency deficit payments are scheduled to begin July 1, 2018, but at a significantly discounted level on an interim basis. The long range budget includes a placeholder for long term solvency deficit payments that are likely to increase as a result of the Province's long-awaited reforms to pension funding requirements.

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 8.2% from $2.473 billion in 2017-18 to $ 2.676 billion in 2018-19.

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 financial 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 the volatility in the economy, enrolment remains very strong and the University continues on its upward trajectory of attracting excellent domestic and international students.

RECOMMENDATION:

Be It Recommended

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

THAT the *Budget Report 2018-19 be approved*, and

THAT the *Long Range Budget Guidelines 2018-19 to 2022-23* be approved in principle.

DOCUMENTATION PROVIDED:

Budget Report 2018-19 and Long Range Budget Guidelines 2018-19 to 2022-23 (February 16, 2018)

Budget Report 2018-19 and Long Range Budget Guidelines 2018-19 to 2022-23

February 16, 2018

Planning and Budget Office

Contents

2018-19 Budget Highlights

This report introduces the proposed Long Range Budget Guidelines for the five-year budget cycle 2018-19 to 2022-23, including the detailed annual operating budget for fiscal year 2018-19. The proposed budget is balanced at the institutional level in each year of the planning period.

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.* These priorities provide institutional context for divisional academic planning, which in turn leads to investment in specific initiatives and activities throughout the University.

The operating 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. This budget represents the culmination of many months of planning and the decisions of many academic and administrative units. 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. The University's budget planning process and resource allocation model are described in detail in Appendix B.

> *"The university's budget is the mechanism by which operating funds are allocated to various divisions in the university. As such, it is a primary tool in the management of the university and in enabling it to fulfill its mission and achieve its academic goals."*
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> ***Task Force to Review Approach to Budgeting, 2006***

The Long Range Budget Guidelines reflect the content of the University of Toronto's Strategic Mandate Agreement (SMA2) with the Province for the period 2017-2020[1]. This is the second multi-year agreement developed under the differentiation policy framework for post-secondary education[2], and re-confirms the university's leadership role in research and innovation in Ontario.

The SMA2 begins the transition to a new funding model, in which a portion of enrolment-based funding will be moved into a differentiation envelope tied to performance in priority areas such as student experience; innovation, economic development and community engagement; research excellence and impact; access and equity; and innovative teaching. The differentiation envelope will be revenue-neutral through the SMA2 period while the Province consults with the sector to refine metrics and targets, which will be tied to funding for SMA3 (2020-2023).

The SMA2 establishes an enrolment planning framework for the next three years, including funding for 631 new master's and 198 new doctoral student spaces by Fall 2019. In response to Ontario's changing demographics, the University and Province have also agreed to a reduction of 1,800 domestic undergraduate spaces at the St. George Campus. Domestic undergraduate enrolment at the University of Toronto

[1] Strategic Mandate Agreement: University of Toronto and the Ministry of Advanced Education and Skills Development 2017-20 https://www.utoronto.ca/about-u-of-t/reports-and-accountability

[2] Ontario's Differentiation Policy Framework for Postsecondary Education, November 2013 http://www.tcu.gov.on.ca/pepg/publications/PolicyFramework_PostSec.pdf

Scarborough and University of Toronto Mississauga will be held constant at current levels over the period of the agreement.

Total budgeted operating revenue for 2018-19 of $2.676 billion is 8% higher than the 2017-18 budget, and 3% higher than last year's long range assumption for 2018-19. This primarily reflects actual enrolment results for Fall 2017, including additional international enrolment at all three campuses, as well as better than anticipated rates of return and investment performance.

Tuition and grant revenue for 2018-19 is projected to be $2.336 billion vs. the $2.279 billion projected a year ago – an increase of 2.5%. Divisional enrolment plans have been adjusted to reflect the outcome of SMA2, the revised provincial funding formula, and recent trends in international enrolment results.

Enrolment, the primary driver of operating revenues, remains robust and the University continues to attract excellent domestic and international students. 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.

Plans call for undergraduate enrolment growth of 600 FTE (domestic and international students) over the next five years at each of UTM and UTSC; the St. George campus is projecting a decline of about 1,700 FTE over the same period, all as specified in the University's Towards 2030 plan. Domestic enrolment will be held roughly constant until 2019-20 at UTM and UTSC, and reduced at the St. George campus, as specified in SMA2. Plans call for continuing international enrolment growth of 1,142 FTE at all three campuses over the planning period.

There is substantial pressure across all three campuses for growth in professional master's programs, with demand for 800 provincially-funded spaces beyond those approved in SMA2. Divisions also plan for growth of about 490 additional provincially-funded doctoral spaces beyond the SMA2 allocation. Funding for these spaces will be a point of advocacy in our SMA3 negotiations.

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.

The operating budget reflects the aspirations and service plans in 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, 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, increases to graduate student funding packages and undergraduate financial aid programs, investment in research infrastructure, additional experiential learning opportunities and international experiences, 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 investment in accessible services and accommodations for students with disabilities, 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. Pension solvency deficit payments are scheduled to begin July 1, 2018, but at a significantly discounted level on an interim basis. The long range budget includes a placeholder for long term solvency deficit payments that are likely to increase as a result of the Province's long-awaited reforms to pension funding requirements.

Structure of the Budget Report

The Budget Report 2018-19 describes the current strategic context and fiscal environment in which the University operates, and highlights key assumptions that underlie projections of revenues and expenses for a five-year planning period. Additional details and discussion of tuition fees, student financial assistance, and future enrolment plans are contained in the Tuition Fee Schedules for Publicly-Funded and Self-Funded Programs 2018-19, the Annual Report on Student Financial Support 2016-17, and the Enrolment Report 2017-18. Key highlights of these reports are included in the relevant sections of the Budget Report.

The Long Range Budget Guidelines, including the 2018-19 budget, are presented in five budget schedules in Appendix A:

- **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;
- **Schedule 4** shows the detailed calculation of divisional budget allocations for 2018-19; and
- **Schedule 5** provides multi-year projections by division for the five-year planning period.

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. Details of the University's budget framework, planning process, and operating budget model are presented in Appendix B.

Strategic Context

The Economic and Political Climate

The Canadian economy grew strongly in 2017. Global economic growth continues to strengthen, and the US economy remains robust. Still, Canada remains subject to considerable political, immigration and trade uncertainty, including uncertainty regarding the outcome of ongoing NAFTA renegotiations. Much remains to be seen in terms of the impact on Canadian universities.

The Bank of Canada Monetary Policy report released in January 2018[3] projects ongoing growth in economic activity in Canada, with modest growth in real GDP of 2.2% in 2018 and 1.6% in 2019. Inflation is expected to remain close to 2% over the planning period.

Ontario's economy has continued to grow in the uncertain global environment. The Public Accounts of Ontario indicate that the actual 2016-17 deficit was $1.0 billion, down from $10.3 billion in 2014-15. According to the

[3] Bank of Canada Monetary Policy Report, January 2018. https://www.bankofcanada.ca/wp-content/uploads/2018/01/mpr-2018-01-17.pdf

2017 fall economic outlook[4], the Province continues to focus on balancing the budget, and maintaining that balance through 2019–20. Spending restraint continues to impose pressure on all provincially-funded sectors.

The Province of Ontario is entering a period of 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 call for a slight decline in this age group to 2021, followed by a period of growth of approximately 20% to 2036. As a result of these demographics, undergraduate growth across the province will be more closely managed through negotiated enrolment targets; this is a noteworthy departure from the relatively unrestricted approach to undergraduate growth in the last decade.

Post-Secondary Education Funding in Ontario

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 operationalized through 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 to 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 is a welcome change for the University of Toronto and reflects the University's long-term advocacy for differentiation.

> *"The University of Toronto is a globally recognized, comprehensive, and research-intensive institution with a distinct leadership role in Ontario's postsecondary education system."*
>
> ***University of Toronto Strategic Mandate Agreement 2014-17***

Effective 2017-18, the Province has implemented a new funding formula to support this differentiation policy framework. The new 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 stable, predictable funding while supporting enrolment planning during this period of projected demographic change and enrolment decline.

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. In future years, changes will be gradual and subject to negotiation between each university and MAESD via Strategic Mandate Agreements.

Strategic Mandate Agreement 2017-2020

In October 2017, the University signed a new Strategic Mandate Agreement (SMA2) with the Province for the period 2017-2020. This is the second multi-year agreement developed under the differentiation policy framework for post-secondary education, and re-confirms the university's leadership role in research and innovation in Ontario.

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[4] 2017 Ontario Economic Outlook and Fiscal Review https://www.fin.gov.on.ca/en/budget/fallstatement/2017/

The SMA2 establishes an enrolment planning framework for the next three years, including funding for 631 new master's and 198 new doctoral student spaces by Fall 2019. In response to Ontario's changing demographics, the University and Province have also agreed to a reduction of 1,800 domestic undergraduate spaces at the St. George Campus. Domestic undergraduate enrolment at the University of Toronto Scarborough and University of Toronto Mississauga will be held constant at current levels over the period of the agreement.

The agreement begins the transition to the new funding framework, including stable funding for enrolment within a negotiated enrolment corridor. Funding for enrolment will remain stable provided the University maintains a five-year average enrolment within ±3% of its negotiated target.

In addition, the University will receive differentiation funding tied to performance in priority areas such as student experience; innovation, economic development and community engagement; research excellence and impact; access and equity; and innovative teaching. The differentiation envelope will be revenue-neutral throughout the period of SMA2 (2017-2020) while the Province consults with the sector to refine metrics and targets, which will be tied to funding for SMA3 (2020-2023).

Enrolment, Tuition, and Student Financial Assistance

Fall 2017 undergraduate enrolment results came within just 1 FTE of plan, a variance of 0.002% across all three campuses. This reflects the net impact of a positive variance of 815 (+6.1%) in international enrolment, offset by a negative variance of 814 (-1.7%) in domestic enrolment versus the 2017-18 budget plan. Domestic enrolment growth targets for 2017-18 were set before the outcome of SMA2 negotiations was known.

Plans call for undergraduate enrolment growth of 600 FTE (domestic and international students) over the next five years at each of UTM and UTSC; the St. George campus is projecting a decline of about 1,700 FTE over the same period, all as specified in the University's *Towards 2030* plan. Domestic enrolment will be held roughly constant until 2019-20 at UTM and UTSC, and reduced at the St. George campus, as specified in SMA2. Plans call for International enrolment growth of 1,142 FTE at all three campuses over the planning period.

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 2.7% relative to January 2017, compared to an average increase of 1.6% for the other research-intensive Ontario universities (McMaster, Ottawa, Queen's, Waterloo, Western), and an average decline of 1.8% for all other universities combined. Total University of Toronto applications for all choices increased 4.4%, compared to a system total increase of 5.4%. In the non-Ontario high school category, application numbers do not become fully meaningful until later in the spring.

The University filled the first 333 of the 631 new SMA2 master's spaces in Fall 2017, and has plans to fill the remaining 298 spaces by Fall 2019. There is demand for another 800 provincially-funded spaces by the end of SMA3. The University also filled the first 107 of the 198 new SMA2 doctoral student spaces in Fall 2017, including 52 domestic and 55 international doctoral spaces. Plans include growth of 488 doctoral student spaces above and beyond those approved in SMA2.

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 Fee Framework 2013-14 to 2016-17, which has been extended to 2018-19 to support a major reform in OSAP. The long range budget projections assume the current Tuition Fee Framework will remain unchanged in 2019-20 and beyond.

The University of Toronto is independently committed to student aid, and is guided by the 1998 Governing Council Policy on Accessibility, which 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 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, OSAP-eligible students in 2016-17 paid, on average, just 47% of the posted tuition rate.

The proportion of students graduating from direct-entry programs with OSAP debt remains relatively stable, at 49.2% of graduates in 2016-17 versus 49.4% of graduates in 2011-12. The average amount of OSAP debt at graduation has increased by 1.4% in real terms over the same period. The combination of 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, funding for the indirect costs of research, and graduate student support.

In April 2017, a panel led by UofT President Emeritus David Naylor issued the final report of Canada's Fundamental Science Review (the Naylor Report). The report recommended changes to the Canada Research Chair program, and proposed a significant increase in the funding for the indirect costs of research.

In November of 2017, the federal Minister of Science announced a series of changes to the Canada Research Chairs program, including a revised distribution of Chairs across the three federal research granting councils. This change resulted in an increased allocation of Chairs to the University of Toronto and its affiliated hospital partners. The University of Toronto CRC Equity, Diversity, and Inclusion Action Plan will guide our efforts in ensuring the representation of individuals from the federally designated groups — persons with disabilities, Indigenous peoples, visible minorities and women — among our Canada Research Chairholders.

The Naylor report recommends a 40% rate as a target for funding of indirect costs. Increases to the Research Support Fund announced in federal budgets 2015 and 2016 have increased the rate slightly to 18.9%, but this remains 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 $45 million, putting us somewhat closer to 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. Similarly, the provincial government provides support through Ontario Graduate Scholarships. However, neither federal nor provincial government support for graduate students has kept pace with the rapid growth in graduate enrolment, placing a higher demand on faculty member research grants and the operating budget.

Compensation

Collective agreements are in place through June 2020 for a number of bargaining units, including USW (administrative staff) and CUPE 3261 (service workers), as well as through June 2021 for CUPE 3902 Unit 3 (sessional instructors). Negotiations are ongoing with several other units, including CUPE 3902 Unit 1 (teaching assistants), as well as with the Faculty Association, for renewal agreements that will take effect during 2018-19 budget year. Compensation terms for each agreement will not be known until bargaining is completed.

Executive compensation has been frozen since March 31, 2012 under the Broader Public Sector Accountability Act (2010). This legislation has been augmented by the Broader Public Sector Executive Compensation Act (2014) which allows for development of a new institutional executive compensation framework. Work is proceeding on a new framework for the University of Toronto, including government review and public consultation as required by the Act. In the meantime, the status quo on compensation restraint for "designated executives" applies.

Further details are included in the ***Budget Assumptions*** section of this report.

Pension

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 pensions more expensive. Actual experience and University special payments have resulted in improvements to the concern deficit between 2011 and 2017 (from a deficit of about $1 billion in 2011 to a deficit of $362.4 million at June 30, 2017) but lower interest rates and increases in longevity have resulted in deterioration in the solvency deficiency from about $1 billion in 2011 to a deficiency of $1.18 billion at June 30, 2017.

The University continues to make special payments to address the going concern deficit, and is participating in the Ontario Government's temporary solvency relief program. Net solvency deficit payments are scheduled to begin July 1, 2018, but at a significantly discounted level on an interim basis. On a permanent basis, the Province has announced long-awaited reforms to pension funding requirements that are likely to increase funding requirements over the current levels with solvency funding relief. Expense projections assume annual pension special payments and associated costs of $132 million by the end of the planning period in 2022-23.

The University is participating together with Queen's University and the University of Guelph and their respective employee groups to develop a multi-employer defined benefit jointly sponsored pension plan for the Ontario university sector.

This initiative is forward-looking and would not address the going concern or solvency deficits, which reflect past experience. The discussions are continuing, 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. Further details are included in the ***Budget Assumptions*** section of this report.

Deferred Maintenance

As noted in the *Annual Report on Deferred Maintenance*, presented to Business Board for information on January 29, 2018, the University's total deferred maintenance liability on academic and administrative buildings presently stands at $549 million, down slightly from last year's figure of $551 million. The St. George campus saw an increase of $4 million in total liability compared to last year; while the UTSC and UTM campuses saw reductions of $2 million and $4 million, respectively. As with previous reports, the vast majority of deficiencies are still focused at St. George with $478 million of the total $549 million liability.

Upcoming changes to the Provincially-mandated Facilities Condition Assessment Program (FCAP) are expected to increase the total deferred maintenance liability. Once implemented and fully phased in, the liability will include "soft costs" of deferred maintenance projects such as professional services and consulting fees. At the same time, the University will adopt a new approach to auditing the condition of its facilities, ensuring more detailed and more frequent estimates of the cost of deferred maintenance for buildings and critical infrastructure.

The operating budget sets aside approximately $18 million annually (growing to $19 million by 2019-20) for deferred maintenance at the St. George campus. Separate funds totaling approximately $2.5 million are set aside in UTM and UTSC campus budgets.

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 to $67 million by 2019-20, including $12 million for the University of Toronto. The balance of funding provided by the operating budget vs. the province will be reviewed annually to ensure optimal use of resources.

Over the last two years, FRP funds have been used to support and augment the Post-Secondary Institutions Strategic Investment Fund (SIF). Total funding of $190 million ($84 million SIF, $14 million FRP provincial funds, and $92 million divisional funds) have been used to upgrade nearly half of UofT's research labs; this initiative will address a critical component of the University's overall deferred maintenance backlog.

Budget Assumptions: Enrolment and Revenue

Operating revenues are derived primarily (87%) 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, and sale of services. The University projects growth in total revenue of $203 million in 2018-19 (8.2% over 2017-18) to total revenue of $2.676 billion, and growth of $725 million over the planning period.

Enrolment

A high level summary of enrolment plans is shown in the following three tables.

Table 1: Enrolment FTE results 2017-18 and projections to 2022-23

	2017-18A	2018-19P	2019-20P	2020-21P	2021-22P	2022-23P
UG Domestic	47,519	47,108	46,548	46,300	46,091	45,838
UG International	14,218	14,912	15,187	15,355	15,357	15,360
Grad Domestic	14,421	14,935	15,575	15,944	16,205	16,434
Grad International	3,104	3,194	3,409	3,501	3,545	3,605
Total FTE	**79,262**	**80,149**	**80,718**	**81,099**	**81,198**	**81,238**

Table 2: Undergraduate FTE by campus

	2017-18A	2018-19P	2019-20P	2020-21P	2021-22P	2022-23P
St. George	38,772	38,579	38,049	37,754	37,385	37,041
UTM	12,049	12,285	12,405	12,549	12,624	12,640
UTSC	10,917	11,156	11,281	11,351	11,439	11,518
Total Undergrad	**61,737**	**62,020**	**61,735**	**61,655**	**61,448**	**61,198**

Table 3: Graduate FTE by degree type

	2017-18A	2018-19P	2019-20P	2020-21P	2021-22P	2022-23P
Profess. Master’s	7,963	8,476	9,182	9.387	9,497	9,595
Doc. Str. Master’s	3,197	3,199	3,167	3,178	3,193	3,196
PhD	6,365	6,454	6,634	6,879	7,060	7,249
Total FTE	**17,525**	**18,129**	**18,983**	**19,444**	**19,750**	**20,040**

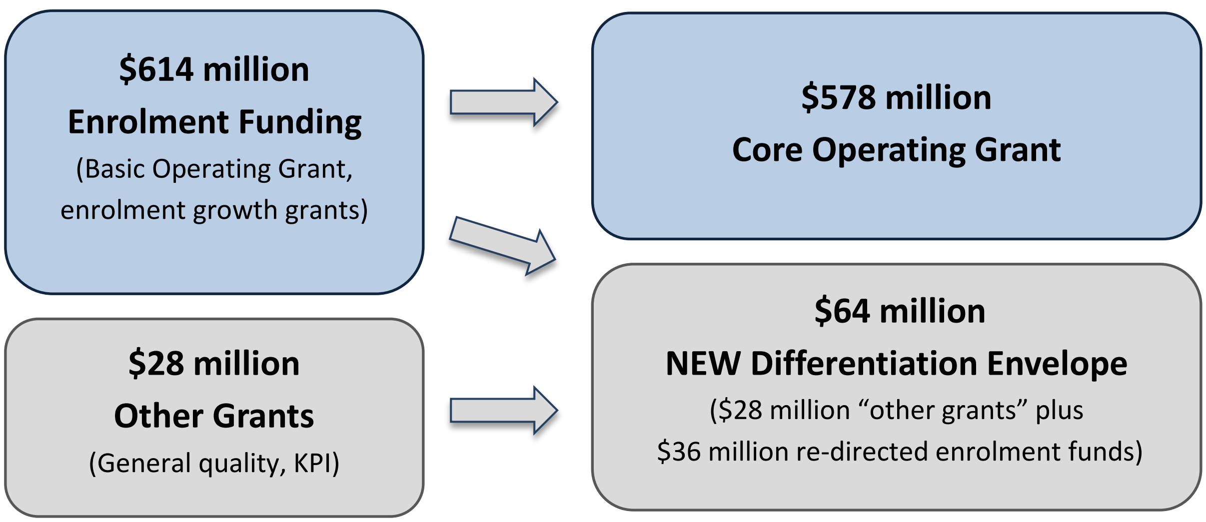
Note: The enrolment tables above include enrolment in TST conjoint programs, but exclude enrolment in other, non-conjoint TST programs..

Operating Grants

The Strategic Mandate Agreement 2017-2020 begins the transition to a new funding framework, including stable funding for enrolment within a negotiated enrolment corridor. Existing enrolment-related grants (base operating grant plus historical targeted grants for previous growth in undergraduate, graduate, teacher education, nursing, and medicine programs) have been rolled into a single Core Operating Grant. Funding within the core operating grant will remain stable provided the University maintains a five-year average enrolment within ±3% of a negotiated target.

A new differentiation envelope has been created by combining the University's existing share of the Access to Higher Education Quality Fund ($24 million) and Key Performance Indicator grants ($4 million), with $36 million re-directed from the University's existing enrolment-related grants.

Figure 1: re-classification of 2016-17 operating grants under new funding formula



The Ministry has indicated that implementation of the 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. An increase of $8 million (1.2%) is projected in operating grant revenue for 2018-19, primarily as a result of the graduate expansion spaces approved via the Strategic Mandate Agreement process. An increase of $19 million is projected over the five year planning period, assuming continued funding for graduate enrolment growth in SMA2 and beyond. 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:

- Core operating grant will remain stable at $578 million per year based on domestic enrolment plans that are within the corridor set by the Province;
- The University will receive undiscounted graduate expansion grant funding of $22 million, including funding for spaces confirmed by the Province in the second Strategic Mandate Agreement (2017-20) plus an assumed allocation of growth spaces for the third Strategic Mandate Agreement period (2020-23);

- Differentiation grant funding will grow from $64 million to $66 million, including the impact of top-up funding tied to achievement of graduate enrolment targets;
- The Province will continue to reduce operating grants by $750 per international undergraduate and international master's student;
- The operating budget projections do not include funding for capital expansion; and
- The provincial government operating grants will not include an inflationary increase.

Tuition and Ancillary 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 changes in enrolment levels.

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 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 2018-19 is 3%. 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 $60 to $6,900 in 2018-19. This is the fifth consecutive year of modest reductions in domestic doctoral stream tuition fees – a cumulative decrease of 3.6% over 2013-14. The University has also proposed to align tuition fees for international PhD students with the domestic rate. The budgetary impact of a reduction in tuition fees for doctoral stream students is minimized 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, India, 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, excluding international PhD students as noted above, is 6% in 2018-19 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.

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). Most divisions also 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.

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. Analysis of the impact of student financial support on the tuition rates actually paid by our students in 2016-17 yields some important insights:

- 55% of UofT full-time domestic undergraduate students received support through OSAP. Of this population, 45% received additional support from the University of Toronto;
- When non-repayable aid from the Province and the University is taken into consideration, OSAP-eligible undergraduates pay only 47% of the posted tuition fee. Net tuition for the OSAP-eligible population of students in direct-entry undergraduate programs is 42%.

Additional details and discussion of the University's student financial assistance programs can be found in the *Annual Report on Student Financial Support 2016-17*.

Endowment Income

The University of Toronto has many generous friends and benefactors, who have contributed a total endowment in excess of $2.38 billion (fair value at April 30, 2017). 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, 2.4% in 2018-19. 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 2018 and the actual distribution will occur just prior to year end at April 30, 2018, following the normal process.

From May to December 2017, returns have been positive with an actual investment return rate of 5.5%. Given the return for the year so far, the plan is to increase the payout by 2% for April 2018 to $8.02 per unit. If investment return remains unchanged for the rest of the year, after a payout of $8.02 per unit, the cumulative preservation of capital is expected to remain at about $200 million above the desired cumulative inflation protection.

For the remaining four years in the planning period, the payout rate is assumed to remain at $8.02 as a precautionary measure. In 2018-19 the projected payout rate results in $45 million for student aid and $17 million for endowed chairs, reflected in the operating budget.

Investment Income

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. Investment income assumptions have been increased relative to last year's budget due to recent increases in short term rates of return (the 90-day T-bill rate increased by 0.65% during the current fiscal year) and a projected increase in the pool of funds available for short-term investment. The UTAM return rate assumption over the next 5 years is assumed to rise from 2.3% in 2018-19 to 3.1% by 2022-23.

Sales, Services and Sundry Income

This income source of $129 million in 2018-19 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 and Indirect Costs of Research

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 three federal granting councils (the Canadian Institutes of Health Research, the Natural Sciences and Engineering Research Council Canada, and the Social Sciences and Humanities Research Council of Canada). Since the CRC program was introduced, inflation has reduced the effective value of Chair funding by over 35%. An appropriate adjustment to government funding is long overdue.

In November of 2017, the federal Minister of Science announced a series of changes to the Canada Research Chairs program, including a revised distribution of Chairs across the three federal research granting councils. This change resulted in an increased allocation of Chairs to the University of Toronto and its affiliated hospital partners. The University of Toronto CRC Equity, Diversity and Inclusion Action Plan will guide our efforts in ensuring the representation of individuals from the federally designated groups — persons with disabilities, Indigenous peoples, visible minorities and women — among our Canada Research Chairholders.

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 of 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 18.9% for 2017-18. Budget projections assume the value, at $22.7 million for campus-based research in 2018-19, will remain constant over the planning period.

The $114 million Medicine by Design initiative funded by the Canada First Research Excellence Fund (CFREF) includes $14 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 $2.5 million in 2018-19, to $1.7 million in the final year of funding in 2022-23.

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 $13.2 million in 2017-18 to $13.6 million in 2018-19. Outer year projections are conservatively assumed to be in the range of $12.6 - $12.9 million annually.

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.

Budget Assumptions: Expenditures

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 8.2% from $2.47 billion in 2017-18 to $2.68 billion in 2018-19. 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 2018-19. 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

Approximately 62%[5] of operating budget expenditures fund salaries and benefits, including 4% of expenditures for pension special payments and related costs. Increases in compensation expenses are due to negotiated increases, if any, for existing employees; the hiring of additional faculty and staff needed to support the growth in student enrollment and research activity; and increases in the cost of some benefits.

[5] 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 71% of operating expenditures, including the accrual of expenditures for employee future benefits.

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:

- 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. The University is currently engaged in collective bargaining with a number of unions, and with the Faculty Association, to renew agreements per the schedule noted below.

Agreement	Expiry
University of Toronto Faculty Association	**Jun 2018**
USW 1998 – Administrative and Technical Staff	Jun 2020
CUPE 3902U1 – Teaching Assistants, Course Instructors	**Dec 2017**
CUPE 3902U3 – Sessional Instructors	Aug 2021
CUPE 3902U5 – Postdoctoral Fellows	**Dec 2019**
CUPE 3907 – Graduate Assistants at OISE	**Aug 2018**
OPSEU 578 – Research Officers & Assistants at OISE	Jun 2020
CUPE 3261 – Service Workers	Jun 2020
CUPE 1230 – Library Workers	Jun 2020
IATSE 58 – Stage Employees at Hart House	**Aug 2018**

Agreement	Expiry
CUPE 2484 – Day Care Workers	Jun 2020
OPSEU 519 – Campus Police	**Jun 2017**
UNITE HERE 75 – Hospitality Workers (89 Chestnut)	**Jan 2018**
Carpenters Local 27	**Apr 2018**
Unifor 2003 – Engineers	**Apr 2018**
IBEW 353 – Electricians	**Apr 2018**
IBEW 353 – Locksmiths	**Apr 2018**
IBEW 353 – Machinists	**Apr 2018**
IUPAT 557 – Painters	**Apr 2018**
SMWIA 30 – Sheet Metal Workers	**Apr 2018**
UA 46 – Plumbers	**May 2018**

- 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 cost containment measures. The same framework applies to planning for compensation increases for shared service divisions.

- The standard benefit rate (SBR) will remain at 24.00% for appointed staff and 10% for non-appointed staff in 2018-19. The SBR covers legislated and negotiated benefits.

On December 9, 2014, the Ontario Government passed Bill 8, "Public Sector and MPP Accountability & Transparency Act, 2014". This new legislation, which replaced the 2010 Broader Public Sector Accountability Act, continued compensation limitations only for those individuals who are deemed to be "Designated Executives". For the University of Toronto this group is limited to the President and the Vice-Presidents. The Act also requires broader public sector institutions to develop an executive compensation framework in consultation with government and the public. The proposed U of T framework has been submitted to the Provincial Government for review and, if approved, is expected to be implemented before the beginning of the 2018-19 budget year. In the meantime the status quo on Designated Executive Compensation restraint applies.

Pension special payments and pension-related costs

The Budget Report for 2012-13 addressed a roughly $1 billion pension going concern deficit and a $1 billion solvency deficit at July 1, 2011. The planned strategy[6] for dealing with this deficit included an increase of $70 million to the annual pension special payments budget, increasing it from $27.2 million per annum in 2010-11

[6] 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 $97.2 million by 2015-16. This operating budget item would fund 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 to pensioners. This annual special payments budget is expected to remain in place at this level until at least 2029.

Update to July 1, 2017 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. In 2017, the going concern discount rate assumption was lowered further, which will increase the funding requirement from both a current service cost perspective and from a going concern 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 2017 (from a deficit of about $1 billion in 2011 to a deficit of $362.4 million in 2017) 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 $1,183.6 billion in 2017 – equivalent to a solvency funded status of 80%).

Under the most recent version of the Ontario Government's temporary solvency funding relief program which reflects additional solvency funding relief announced in 2016, net solvency deficit payments of $21.3 million will begin July 1, 2018, after giving effect to the one-year deferral provision related to the start of required solvency payments. This is in addition to the minimum required going concern pension special payments of $44.5 million per year, calculated from the most recent actuarial valuation at July 1, 2017. However, the University expects this drop in required funding to be temporary due to the new pension funding rules being implemented by the Province (see below) and, therefore, the University will continue to budget $78.7 million per year for going concern special payments (the previous minimum requirement) in the short and medium term. In the meantime, to address the two uncertainties outlined below, and as a placeholder until 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 $132.2 million by the end of the planning period in 2022-23.

The following two uncertainties will likely impact pension funding during the long-range budget period.

1) Provincial reforms to pension funding requirements

The Province has recently announced long-awaited reforms to pension funding requirements. The elements of the new framework are as follows:

- Universities will only be required to make special solvency payments if the solvency funding status is less than 85%, with any deficiency amortized over 5 years;

- The amortization period for the going concern deficit will be reduced to ten years from 15 years, and a reserve factor (Provision for Adverse Deviation) will be applied to both accrued liabilities and current service costs; and
- The Province will increase the Pension Benefits Guarantee Fund monthly guarantee, which will likely require higher premiums.

These changes are likely to increase funding requirements over the current levels with solvency funding relief.

2) Multi-employer defined benefit jointly sponsored pension plan

The University is participating together with Queen's University and the University of Guelph and their respective employee groups to develop a multi-employer defined benefit jointly sponsored pension plan for the Ontario university sector. There has been significant progress with the three universities and employee groups (representing the majority of pension plan participants at the three institutions) coming to agreement on a design for the new plan. A number of issues remain, some employee groups have not agreed to participate, and a number of challenges need to be overcome for implementation to occur. The three universities are continuing to work together, with employee groups, mediators, and advisors to advance this project. Key challenges include obtaining consent from active and retired plan members, having appropriate regulations enacted by the Ontario government, and creating the plan and its operation. This initiative is forward-looking and would not address the going concern or solvency deficits, which reflect past experience. The discussions are continuing, 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.

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 revenue plus an allocation from the University Fund (see Appendix B for a description of the University of Toronto budget model). 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 capital projects including renovations and upgrades of laboratory and office space, principal 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. Divisional plans include adding 78 incremental faculty positions in 2018-19, as well as increasing funds available for start-up funding;
- 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 continue to invest in additional academic programming, co-curricular programming, and counselling and support services to ensure the success of our international students;

- Divisions continue to collaborate on a strategy to diversify the international student population. Fall 2017 saw a notable increase over a small baseline enrolment intake from priority regions such as India and the United States, but there remains significant work to be done to ensure that our international students more closely reflect the University's wide range of global partnerships;
- The Faculty of Arts & Science continues to phase in increases to base funding packages for graduate students, and several other divisions have followed 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;
- After consultation with divisions, the University has proposed to align tuition fees for international PhD students with the domestic rate. The loss of tuition fee revenue from international doctoral students is significantly offset by savings in graduate funding package expenditures, since divisions currently cover the cost of tuition and fees for many international students in eligible PhD programs;
- Several divisions are planning increases in direct-entry, second-entry and professional master's financial aid programs, funded from operating budgets as well as fundraising initiatives;
- Academic plans call for increased experiential and work-integrated learning, entrepreneurship, research, and international experience opportunities, not just in the traditional professional programs but across a wide array of science, humanities and social science programs;
- Divisions are investing in faculty, staff, programming, exchange opportunities, and partnerships as part of the institutional response to the Calls to Action of the Truth and Reconciliation Commission of Canada, as well as to student requests for Indigenous curricular initiatives and student support;
- Many capital projects are planned over the next five years including a second Instructional Centre at UTSC; a new Science building at UTM; renovations in several Arts & Science buildings at the St. George Campus; the Site 12 Academic Tower; and the Centre for Civilizations and Cultures building at the McLaughlin Planetarium site 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;
- As new space comes online divisions will require additional spending on occupancy costs.

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 institutional academic priorities. Each year the Provost allocates 10% of incremental (unrestricted) operating revenue to divisions, taking into consideration the divisional and University-wide academic priorities emerging from discussions during annual budget reviews.

The total amount available for allocation in 2018-19 is $22.5 million; the incremental base available is $18.3 million and there is $4.2 million of prior year one-time-only commitments that are available for re-allocation. Over the 5-year planning period the Provost is projected to have about $66 million available for allocation to academic divisions through the University Fund.

In 2018-19, the Provost has made allocations across four categories, including categories aligned with each of the President's *Three Priorities*[7]:

1. **Re-imagining Undergraduate Education ($10 million)**
   - An allocation of $0.4 million per year for the next three years to expand the **Learning and Education Advancement Fund (LEAF)**. The LEAF program provides funding to small- and large-scale projects that develop and enhance the application and assessment of high-impact teaching practices within the range of learning environments at the University. The fund will be administered by the Vice-Provost, Innovations in Undergraduate Education.
   - An allocation of $1.0 million per year for the next three years to establish an **International Student Experience Fund**. This fund will be administered by the Associate Vice-President and Vice-Provost, International Student Experience, and will seed innovative initiatives to enhance international students' learning experience at the University of Toronto. One of the criteria for the fund will be evidence of scalability.
   - An allocation of $8.6 million in base to transition academic divisions away from the current set of inconsistent bi-lateral funding agreements, to a new, institutional financial framework for **interdivisional teaching**. The objective is to simplify the funding model and ensure that academic goals are the primary consideration in determining who teaches what subject matter, in order to maximize the educational experience of our students.
2. **Access and Diversity – leveraging our location and reflecting our city ($3.5 million)**
   - An allocation of $1.0 million per year for three years to coordinate the activities of the many **access programs for students from under-represented groups** that currently exist on campus, with a view to creating greater collaboration and impact of our efforts.
   - An allocation of $1.0 million per year for three years to fund **post-doctoral fellowships for individuals from under-represented groups** to provide academic training opportunities that will in turn increase the pool of Indigenous and Black scholars for academic positions institutionally and across Canada.
   - An allocation of $1.5 million for **on-location accessibility advisors** in response to the growing number of students seeking mental health supports, to ensure increased access to services for students in need of accommodations. The on-location accessibility advisors will be hired by and report through the Student Life portfolio, but will provide services on location within academic divisions on the St. George campus.
3. **Research and Innovation – enhancing our global reputation and profile ($2.5 million)**
   - An allocation of $1 million in base to each of UTM and UTSC to build research capacity and attract further research investments.
   - An allocation of $0.5 million in base to support entrepreneurship activities in accelerators and incubators across all three campuses.
4. **Structural Budget Support ($6.5 million)**

[7] http://threepriorities.utoronto.ca/

- An allocation of $5.3 million (base) for **structural budget support** to be allocated to academic divisions facing budget challenges. Specific allocations will be determined as divisions develop revised expenditure plans based on final SMA-related enrolment changes.
- An allocation of $1.0 million to assist divisions with the transition costs of integrating local servers within the U of T Data Centre.
- An allocation of $0.2 million in base to complete the realignment of library budgets with the University's central library system budget.

Student Aid Expenditures

A breakdown of proposed student aid budgets for 2018-19 to 2022-23 is displayed in Appendix A, Schedule 3. Total spending is projected at $224 million for 2018-19, growing to $260 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), with appropriate modifications as determined by the Vice-Provost, Students, and the University Registrar in consultation with the academic divisions of the University.

The Province of Ontario's Student Access Guarantee (SAG) defines institutional requirements for meeting the financial needs of domestic, OSAP-eligible students. 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 Province also requires each institution to provide non-repayable aid to meet no less than 20 per cent of the aggregate value of tuition/book shortfalls of its second-entry students.

The University's commitment goes above and beyond these requirements and also provides aid for living expenses. This aid is provided in the form of non-repayable grants to 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. In 2016-17 the University provided $32.5 million in non-repayable aid to undergraduate students over and above our $27 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 are being rolled out in two phases. In 2017-18, a single upfront grant, called the Ontario Student Grant (OSG), was 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. In addition, the Province has discontinued the tuition and education tax credits and reinvested these funds into the OSG program. At the same time, the Province has announced changes to the OSAP calculation, including new limits for parental and spousal contributions, and an increase to maximum amount of annual repayable debt.

The Province has stated that under the new Ontario Student Grant, 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 2018-19, the second phase will see the implementation of net billing for first year, direct-entry undergraduate students. Essentially this means that students who qualify for OSAP will be billed for what they actually owe after OSAP funding and institutional aid has been deducted from their total costs. The Province has signaled that net billing will be rolled out for all students in future years.

Implementation of net billing requires significant changes to existing tuition and financial aid processes for the University and the Province:

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

The University’s primary mechanism for providing need-based aid to OSAP-eligible undergraduate students is the University of Toronto Advance Planning for Students (known as UTAPS) program. Prior to 2017-18, the UTAPS program was also the primary mechanism for meeting the University’s SAG obligations to students in some second entry and professional master’s programs. Over a two-year period, need-based aid programs for second entry and professional master’s students are being transitioned to divisionally-run programs, allowing for a more individualized and nuanced approach to providing assistance. This is being supported where necessary by more equitable access to an institutionally-negotiated line of credit. For many years, students in some professional programs, such as Dentistry, Pharmacy, Management, and Law, had access to a Scotiabank line of credit with a preferred rate of interest. We have now negotiated with Scotiabank to extend the line of credit option to students in all second entry and 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 full impact of the above-noted changes to the OSAP program is not yet known. For 2018-19, the UTAPS budget is projected to increase by $2 million related to direct-entry student support, offset by the $5 million related to second entry and professional master’s programs that will transition to divisional student aid budgets. The UTAPS budget for undergraduate students is projected to increase by an additional $13 million over the planning period.

In 2017-18, the University welcomed the first cohort of Lester B. Pearson International Scholars. 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 covers tuition, books and living costs for four years. Each year, approximately 38 students will be named as scholars, for a total of approximately 150 scholars in all years of study once the program reaches steady state. Funds are provided from a combination of international tuition revenue and fundraising.

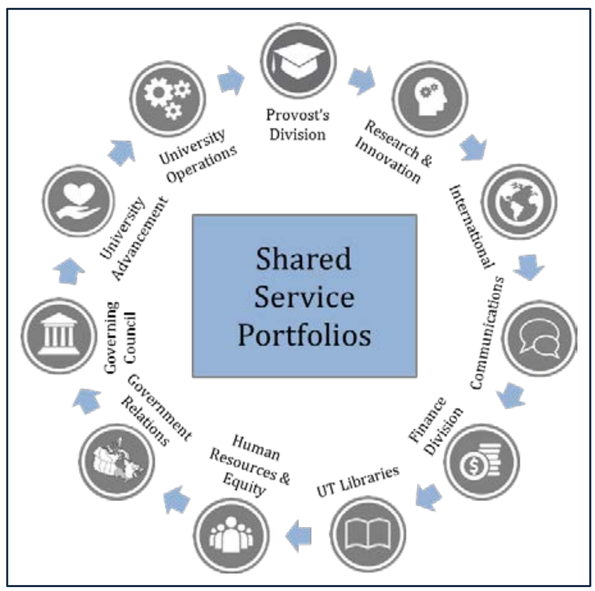
Graduate students receive support from several sources. Some of this is reported as part of student aid in the operating budget and some comes from other sources, such as research stipends, external awards and employment income from positions as teaching assistants. In total our graduate students received support of $284 million in 2016-17.

Several divisions, including the Faculty of Arts & Science, have increased base funding packages for doctoral stream students over the period 2016-17 to 2018-19. This change, combined with the implementation of divisionally-run need-based aid programs for second-entry and professional master's students as noted above, is projected to increase the budget for divisionally-managed student aid by $22 million in 2018-19.

University-wide Costs

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. For budget allocation purposes, the above costs (known in aggregate as university-wide costs) are grouped into 12 cost bins.

University-wide costs charged to academic divisions in 2018-19 are projected to total **$594 million**, comprised of:



1) **$319 million in portfolio operating budgets** for compensation and other expenses incurred in the provision of shared services;
2) **$122 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) **$112 million in pension special payments**, as described in the pension section of this report; and
4) **$42 million in special 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.

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:

- Utilities costs are expected to decrease by approximately $4 million (8%) in 2018-19. Recent provincial government concessions on tax rebates and rate reductions contribute significantly towards this budget reduction. The utilities budget is exposed to ongoing volatility in both consumption and rates (weather patterns, political stability, Cap and Trade legislation, etc.). To smooth potential year-over-year swings in this budget, the University has proposed to re-invest the savings on an OTO basis with $1 million for each of: AODA upgrades, asbestos removal projects, additional deferred maintenance, and a utilities contingency fund. All three campuses continue to invest in energy reduction programs to mitigate the impact of rising utility costs;
- As new space comes online in outer years, utility and caretaking costs are projected to increase. Projections include $4.4 million for occupancy cost of new space expected to come online over the planning period. Under the University's budget model, academic divisions are responsible for covering the operating costs of their space;
- The operating budget sets aside approximately $19 million annually 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, estimated at $9.6 million for 2018-19 and $12 million annually in the outer years;
- The Academic and Campus Events (ACE) office manages 300 classrooms. In 2016-17, the University began a multi-year project to upgrade and revitalize the classroom inventory. The cost is estimated at $12 million. Funds will be provided from a combination of rental income and operating funds. The budget includes $2.5 million per year through 2020-21 for this project. Feedback from users and academic division stakeholders will continually inform the plan 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 2018-19 aligned with the library's strategic plan, including:

- An increase of 4.3% on the cost of electronic acquisitions and an increase of 1% on the cost of print materials;
- Expansion of librarian capacity in areas such as collaborative collections and digital preservation;
- Investment in a cloud-based Library Service Platform to manage an increasingly diversified collection of e-resources, digital assets, and special collections that are acquired, managed and discovered very differently than traditional print materials;
- Expansion of the TALint student mentorship program; and
- Upgrade of the Robarts Library reading rooms (phase 1 of 2).

Following are a few of the key priorities for other shared services for which new funding is proposed in 2018-19:

a) Funding in 2018-19 to complete the Boundless fundraising campaign. Additional investments in staffing, programs, and information technology in the Division of University Advancement are proposed over the next several years to expand capacity for future fundraising efforts;
b) Investments in the Human Resources and Equity portfolio to streamline service delivery, promote evidence-based digital workplace practices, and advance the development of the digital workplace, including a new software platform for staff learning and development;
c) Additional funds are proposed in the Research and Innovation portfolio to provide staff in support of partnership development, community engagement, employee health and safety, and federal research program compliance;
d) Continued investments are planned for the next instalment on the multi-year new student system (NGSIS), network infrastructure upgrades, ongoing renewal of the wireless network, and IT security practice and awareness;
e) Investments are proposed for Enrolment Services staffing to support existing and future demand for domestic and international admissions and recruitment;
f) Additional investments for the Provost's portfolio to continue the roll-out of a new course evaluation system and to develop new tools for academic HR services such as management of research and study leave;
g) Continued investment in capacity building for internal and external communications and brand building activities, including the University of Toronto Magazine, international events, and a strategic marketing plan;
h) Funding to support growing demand for services for students with disabilities including staff costs for assessment, evaluation and negotiation of effective accommodations; expertise in learning strategies and adaptive technologies; assistance with access to disability-related financial supports, and management of accommodated tests and exams.

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. 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.

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, 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 establish or augment endowments as the most effective way to implement an initiative.

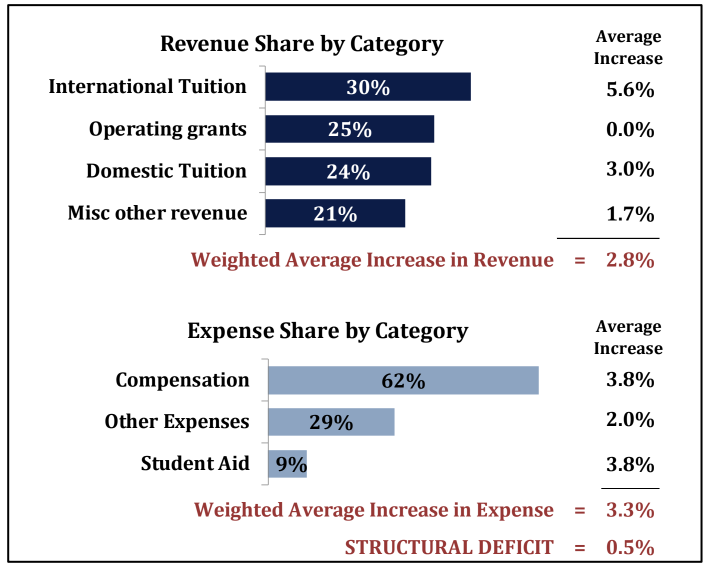
In keeping with the Policy on Inter-fund Transfers, decisions for the commitment of operating funds for restricted fund purposes do not need further approval when they are approved within the budget process. To balance the integrity of operating funds with divisional plans, the Provost is authorized 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.

The Structural Budget Challenge

The University of Toronto has experienced significant growth over the last decade. Since 2007-08, the University has added more than 11,500 undergraduate student spaces (+23%) and more than 5,300 graduate student spaces (+44%). International student enrolment has increased from 10% to 22% of total enrolment. Operating budget income from short term investments has more than doubled, and the total operating budget has increased by more than 89% over the ten-year period. This extended period of growth has also driven significant increases in costs, for new faculty, staff, services, student support, capital construction, and infrastructure improvements.

The University has continued to present a balanced budget, including contingencies against risk in revenue growth targets and unforeseen expenditures. The University's budget model places responsibility for revenues, expenses, and the cost of capital infrastructure in the hands of the academic divisions. This encourages multi-year planning, and thus a growth in the reserves set aside for future spending on capital projects and operating contingencies to deal with possible future uncertainties. As revenue targets have been achieved, divisions have built up reserves and applied contingency funds to one-time investments such as capital projects, faculty start-up funds, and endowment matching opportunities.

As this phase of growth begins to slow, the University is facing a potential structural budget challenge with expenses rising faster than revenue. When enrolment levels and enrolment mix reach the long term goals, often referred to as "steady state", the weighted average rate of revenue growth is projected to be 2.8%. 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 2.8% per year. Contrasted against this, is a potential "steady state" weighted average rate of growth in expenditures of approximately 3.3%[8]. This leaves a notional structural budget annual gap of 0.5% at steady state.



The University is actively pursuing strategies that align with our academic mission that will enable us to close this potential future 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, 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, containing annual increases of salaries and benefits to no more than the rate of steady state revenue growth would be one of the most powerful strategies we could pursue. We are also 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.

While the University seeks to diversify its sources of revenue, it will continue to carefully monitor the balance of one-time and ongoing expenditure commitments, and divisional plans for spending from operating reserves. Divisional operating reserve contingencies are normally expected to fall in the range of 5% to 10% of the division's total operating expense budget[9]. Divisions with greater distributed risk (i.e. large international enrolment, significant growth, high levels of external revenue, etc.) may establish larger operating contingency reserves.

[8] Steady state growth in expenditures is calculated using the average cost of all employee group agreements over the last five years (3.8%); it is not a projection for the future.

[9] Operating reserve contingency excludes reserves earmarked for future capital projects, research funds, student assistance, and endowment matching programs.

Appendix A: Long Range Budget Guidelines

Schedule 1: Projection of Operating Revenue and Expenses
2018-19 to 2022-23
($ millions)

Projection of Operating Revenues	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Student Fees	$ 1,508.0	$ 1,671.5	$1,797.7	$1,923.1	$2,034.9	$2,140.5
Prov. Gov't Grants for General Operations	656.9	665.0	667.7	671.7	676.2	676.2
Subtotal - Grants and Student Fees	**2,164.9**	**2,336.5**	**2,465.4**	**2,594.9**	**2,711.1**	**2,816.8**
Investment Income - Endowments	60.7	63.2	64.3	65.2	66.0	67.2
Investment Income - Other	36.2	58.4	63.5	68.6	75.7	81.2
Sales, Services & Sundry Income	122.2	129.2	132.6	136.4	140.4	144.3
Subtotal - Operating Revenue	**2,384.0**	**2,587.3**	**2,725.9**	**2,865.1**	**2,993.2**	**3,109.5**
Recovery from Canada Research Chair Grants	37.7	37.4	38.6	38.6	38.6	38.6
Recovery of Institutional Costs of Research	51.0	50.8	50.0	50.3	49.7	49.6
Total - Operating Revenue & Recoveries	**$ 2,472.6**	**$ 2,675.5**	**$2,814.4**	**$2,954.0**	**$3,081.5**	**$3,197.6**

Projection of Operating Expenses	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Shared Services Costs	444.3	481.9	505.8	527.6	543.8	559.9
Pension Deficit Funding	107.2	112.2	117.2	122.2	127.2	132.2
Sub-total, Net Expenses in Cost Bins	**551.5**	**594.1**	**623.0**	**649.8**	**671.0**	**692.1**
U-W costs offset by shared services income	119.9	121.8	125.4	129.1	132.8	136.8
UTM and UTSC Campus Costs	90.7	98.8	103.7	108.9	114.3	120.1
Sub-total, University-Wide Costs	**762.1**	**814.7**	**852.1**	**887.7**	**918.2**	**948.9**
Academic Expense Budgets (Excl St. Aid)	1,472.8	1,593.3	1,688.9	1,781.9	1,871.8	1,949.7
Student Aid Expenditures	200.0	224.0	233.6	244.0	251.8	260.0
University Fund (unallocated portion)	12.8	18.3	12.8	12.9	11.8	10.5
Flow-through to Other Institutions	24.9	25.3	27.0	27.5	28.0	28.5
Total - Operating Expenses	**$ 2,472.6**	**$ 2,675.5**	**$2,814.4**	**$2,954.0**	**$3,081.5**	**$3,197.6**

Appendix A: Long Range Budget Guidelines

Schedule 2: Details of Operating Grants and Student Fees
2018-19 to 2022-23
($millions)

Prov. Gov't. Grants for General Operations	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Enrolment Based Funding:						
Core Operating Grant	577.7	578.2	578.2	578.2	578.2	578.2
Graduate Expansion Grant	3.2	11.0	13.8	17.7	21.8	21.8
Performance Based Funding:						
Differentiation Grant	63.8	64.2	64.2	64.2	64.2	64.2
Incremental Differentiation Funding	-	1.0	1.2	1.6	2.0	2.0
Special Purpose Grants:						
Clinical Education	4.0	4.0	4.0	4.0	4.0	4.0
Ontario Graduate Scholarships	9.8	10.1	10.1	10.1	10.1	10.1
Ontario Trillium Scholarships	1.6	1.6	1.6	1.6	1.6	1.6
Municipal Tax Grant	5.0	4.9	4.9	4.9	4.9	4.9
International Student Recovery	(11.6)	(12.8)	(13.2)	(13.4)	(13.4)	(13.4)
Accessibility for Students with Disabilities	3.5	2.8	2.8	2.8	2.8	2.8
Total, Gov't Grants for General Operations	**656.9**	**665.0**	**667.7**	**671.7**	**676.2**	**676.2**

Student Fees	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
For-Credit Tuition Fees	1,312.7	1,460.7	1,580.7	1,699.8	1,805.1	1,903.9
Continuing / Exec.Ed Tuition & Ancillary Fees	195.3	210.8	217.0	223.3	229.9	236.6
Total, Student Fees	**1,508.0**	**1,671.5**	**1,797.7**	**1,923.1**	**2,034.9**	**2,140.5**

Appendix A: Long Range Budget Guidelines

Schedule 3: Details of University-Wide Costs and Student Aid Expense 2018-19 to 2022-23 ($millions)

University-Wide Costs	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
1. Occupancy	119.2	124.1	130.3	138.0	141.1	143.6
2. Information Technology	37.6	41.3	42.5	46.1	48.8	51.6
3. University Management	24.7	28.0	31.5	33.6	35.9	38.1
4. Financial Management	9.4	10.3	11.0	11.6	12.2	12.8
5. Human Resources	18.2	21.2	22.8	23.7	23.8	24.7
6. Pension Deficit Funding (Academic)	84.0	88.6	92.6	96.5	100.5	104.4
7. University Advancement	27.1	29.2	31.5	32.5	33.9	34.9
8. Central Library	92.4	102.3	107.0	109.4	113.0	116.6
9. Research Administration	22.3	25.7	26.5	27.9	29.2	30.5
10. Registrarial & Student Services	33.5	38.0	39.3	40.5	41.6	42.8
11. University-wide Academic	34.0	35.0	36.7	37.5	37.5	37.5
12. University-wide General	33.5	34.5	35.0	35.6	36.2	36.8
Federated Block Grant	15.6	16.0	16.4	16.8	17.3	17.7
Sub-total	**551.5**	**594.1**	**623.0**	**649.8**	**671.0**	**692.1**
U-W costs offset by shared services income	119.9	121.8	125.4	129.1	132.8	136.8
UTM and UTSC Campus Costs	90.7	98.8	103.7	108.9	114.3	120.1
Total University Wide Expense	**$ 762.1**	**$ 814.7**	**$ 852.1**	**$ 887.7**	**$ 918.2**	**$ 948.9**

Student Aid Expenditures	**2017-18**	**2018-19**	**2019-20**	**2020-21**	**2021-22**	**2022-23**
UofT Adv. Planning for Students (UTAPS)[1]	47.1	44.0	46.8	50.1	53.4	57.0
Other Need-based Aid (incl Work Study)[1]	6.5	6.9	7.7	8.4	8.4	8.4
Scholarships	8.7	11.0	13.7	16.8	18.1	19.5
Student Aid from Endowments	23.9	25.0	25.6	26.1	26.5	27.0
Subtotal, Undergraduate	**86.2**	**86.9**	**93.8**	**101.4**	**106.4**	**111.8**
Provincial Scholarship Grants	11.5	11.9	11.9	11.9	11.9	11.9
Student Aid from Endowments	19.9	20.9	21.4	21.8	22.1	22.5
Student Aid Matching Funds	1.3	1.3	1.3	1.3	1.3	1.3
SGS Graduate Fellowships	2.0	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	**38.3**	**39.6**	**40.1**	**40.5**	**40.8**	**41.2**
Subtotal, Central Student Aid	**124.4**	**126.5**	**133.9**	**141.8**	**147.2**	**153.0**
Student Aid in Acad Divisions	75.6	97.5	99.8	102.1	104.5	107.0
Total, Student Aid Expense	**200.0**	**224.0**	**233.6**	**244.0**	**251.8**	**260.0**

[1] 2017-18 UTAPS budget restated to exclude Student Exchange Bursaries now included in Other Needs-Based Aid.

Appendix A: Long Range Budget Guidelines

Schedule 4: Revenue and Expense Allocations by Division for 2018-19

	Attributed Operating Revenue	10% Contr. to Univ Fund	Share of University Wide	Student Aid Set-Aside	Net Revenue	University Fund Allocation	Academic Expense Budget
	(A)	(B)	(C)	(D)	(E=A-B-C-D)	(F)	(G = E+F)
Arts & Science	746,367,013	71,529,389	210,645,087	38,621,526	425,571,012	48,105,799	473,676,811
UofT Scarborough	296,829,070	29,415,080	40,910,454	13,264,300	213,239,236	9,755,826	222,995,062
UofT Mississauga	334,564,751	33,160,135	44,700,085	13,707,532	242,996,999	10,923,611	253,920,610
Dentistry	38,371,919	3,673,880	13,360,587	670,385	20,667,067	11,947,659	32,614,726
Medicine	207,469,877	17,598,270	84,917,686	14,975,273	89,978,648	19,538,290	109,516,938
Public Health	29,064,972	2,680,966	10,500,121	935,836	14,948,048	8,029,559	22,977,607
Nursing	20,267,037	1,893,679	5,649,928	1,548,670	11,174,760	2,485,976	13,660,736
Pharmacy	36,055,155	3,378,314	10,238,485	2,573,972	19,864,384	517,095	20,381,478
Kinesiology and Physical Education	20,327,755	1,958,137	6,283,426	1,405,344	10,680,849	1,855,823	12,536,672
Applied Science & Engineering	225,634,750	20,943,690	75,690,514	15,542,692	113,457,854	17,472,567	130,930,421
Architecture, Landscape & Design	36,299,131	3,558,761	8,993,923	1,774,043	21,972,404	5,586,676	27,559,080
OISE	74,545,537	7,196,682	25,136,240	2,472,951	39,739,664	15,179,398	54,919,062
Forestry	3,680,019	264,885	2,244,387	595,689	575,058	2,555,081	3,130,139
Law	36,432,865	3,470,185	9,019,589	1,618,048	22,325,043	4,585,251	26,910,295
Information	17,465,527	1,692,677	4,944,901	559,016	10,268,933	3,003,966	13,272,899
Music	20,500,528	1,880,900	7,270,545	2,286,243	9,062,841	6,227,930	15,290,771
Social Work	14,613,353	1,296,568	4,574,005	1,130,374	7,612,405	1,643,548	9,255,953
Management	118,691,132	11,655,806	25,816,116	4,172,294	77,046,915	7,325,916	84,372,832
Transitional Year Programme	858,714	48,277	515,398	433,870	(138,831)	1,708,678	1,569,848
School of Continuing Studies	673,969	2,966,326	2,683,117	12,881	(4,988,355)	1,643,482	(3,344,874)
Subtotal	2,278,713,073	220,262,606	594,094,593	118,300,942	1,346,054,933	180,092,133	1,526,147,066
Divisional Income	*340,428,359*	-	*121,809,716*	-	*218,618,643*	-	*218,618,643*
Campus Costs and Divisional Aid	-	-	*98,769,328*	*97,491,534*	*(196,260,861)*	-	*(196,260,861)*
Recovery from Restricted Funds	*30,077,544*	-	-	*8,169,885*	*21,907,659*	-	*21,907,659*
Unallocated Differentiation Funds	*993,020*	*99,302*	-	-	*893,718*	-	*893,718*
University Fund OTO [1]	-	-	-	-	-	*40,269,775*	*40,269,775*
Subtotal	2,650,211,996	220,361,908	814,673,637	223,962,360	1,391,214,091	220,361,908	1,611,575,999
Flow-through to Other Institutions	*25,288,953*	-	-	-	*25,288,953*	-	*25,288,953*
Total	2,675,500,949	220,361,908	814,673,637	223,962,360	1,416,503,044	220,361,908	1,636,864,952

Appendix A: Long Range Budget Guidelines

Schedule 5: Projected Divisional Net Revenue Allocations, 2018-19 to 2022-23

Arts & Science	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	676,128,183	746,367,013	783,340,517	821,084,084	854,421,971	885,691,495
University Fund Contribution	(64,432,602)	(71,529,389)	(75,194,528)	(78,911,677)	(82,191,185)	(85,266,477)
University-Wide Costs	(195,563,218)	(210,645,087)	(219,647,646)	(227,827,494)	(233,679,479)	(240,004,221)
Student Aid Expense	(35,927,055)	(38,621,526)	(41,254,969)	(44,063,515)	(45,445,949)	(46,936,116)
University Fund Allocation[2]	44,547,056	48,105,799	48,105,799	48,105,799	48,105,799	48,105,799
Net Expense Budget	424,752,364	473,676,811	495,349,174	518,387,198	541,211,156	561,590,480

UTSC	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	263,995,878	296,829,070	319,789,247	338,314,214	357,231,529	374,904,763
University Fund Contribution	(26,110,475)	(29,415,080)	(31,709,924)	(33,560,827)	(35,451,077)	(37,216,401)
University-Wide Costs	(35,362,160)	(40,910,454)	(43,328,663)	(45,424,578)	(47,254,820)	(49,240,801)
Student Aid Expense	(11,778,758)	(13,264,300)	(14,984,193)	(16,579,425)	(17,653,487)	(18,819,696)
University Fund Allocation[2]	8,018,283	9,755,826	9,755,826	9,755,826	9,755,826	9,755,826
Net Expense Budget	198,762,766	222,995,062	239,522,294	252,505,210	266,627,972	279,383,691

UTM	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	299,715,671	334,564,751	362,614,714	392,944,636	418,714,929	439,527,643
University Fund Contribution	(29,648,260)	(33,160,135)	(35,964,496)	(38,996,099)	(41,576,436)	(43,657,316)
University-Wide Costs	(38,705,587)	(44,700,085)	(47,583,915)	(50,034,624)	(52,304,433)	(54,517,788)
Student Aid Expense	(12,295,564)	(13,707,532)	(15,345,992)	(17,163,533)	(18,235,027)	(19,386,633)
University Fund Allocation[2]	8,961,269	10,923,611	10,923,611	10,923,611	10,923,611	10,923,611
Net Expense Budget	228,027,527	253,920,610	274,643,922	297,673,990	317,522,644	332,889,518

Dentistry	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	37,201,128	38,371,919	39,440,410	40,539,932	41,828,847	43,101,083
University Fund Contribution	(3,541,481)	(3,673,880)	(3,779,314)	(3,888,088)	(4,015,934)	(4,142,090)
University-Wide Costs	(12,923,018)	(13,360,587)	(13,904,058)	(14,526,393)	(15,048,165)	(15,473,675)
Student Aid Expense	(2,438,150)	(670,385)	(686,172)	(698,108)	(709,000)	(720,891)
University Fund Allocation[2]	11,825,864	11,947,659	11,947,659	11,947,659	11,947,659	11,947,659
Net Expense Budget	30,124,343	32,614,726	33,018,525	33,375,002	34,003,407	34,712,085

Medicine	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	194,526,244	207,469,877	213,117,365	218,143,596	222,534,005	225,347,006
University Fund Contribution	(16,680,480)	(17,598,270)	(18,124,342)	(18,602,742)	(19,055,147)	(19,324,505)
University-Wide Costs	(82,370,757)	(84,917,686)	(89,140,502)	(92,732,064)	(95,908,306)	(98,641,471)
Student Aid Expense	(15,138,015)	(14,975,273)	(15,257,514)	(15,514,051)	(15,742,844)	(15,948,972)
University Fund Allocation[2]	20,110,081	19,538,290	19,538,290	19,538,290	19,538,290	19,538,290
Net Expense Budget	100,447,073	109,516,938	110,133,297	110,833,029	111,365,999	110,970,349

Notes:
1. Attributed revenue net of recoveries from restricted funds and divisional income
2. Includes allocations up to and including 2018-19. Flatlined for outer years.

Appendix A: Long Range Budget Guidelines

Schedule 5: Projected Divisional Net Revenue Allocations, 2018-19 to 2022-23

DLSPH	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	26,810,566	29,064,972	30,019,470	30,689,826	31,189,573	31,535,709
University Fund Contribution	(2,476,998)	(2,680,966)	(2,775,350)	(2,841,566)	(2,890,964)	(2,925,128)
University-Wide Costs	(9,955,016)	(10,500,121)	(11,085,429)	(11,576,822)	(11,914,147)	(12,265,824)
Student Aid Expense	(1,350,781)	(935,836)	(939,310)	(945,722)	(947,091)	(946,632)
University Fund Allocation[2]	7,983,643	8,029,559	8,029,559	8,029,559	8,029,559	8,029,559
Net Expense Budget	21,011,414	22,977,607	23,248,940	23,355,275	23,466,931	23,427,683

Nursing	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	20,033,433	20,267,037	22,084,289	22,832,619	23,383,407	23,898,372
University Fund Contribution	(1,878,114)	(1,893,679)	(2,072,970)	(2,145,773)	(2,199,200)	(2,249,066)
University-Wide Costs	(5,652,443)	(5,649,928)	(6,007,698)	(6,315,792)	(6,521,295)	(6,725,801)
Student Aid Expense	(1,469,619)	(1,548,670)	(1,593,233)	(1,653,211)	(1,699,015)	(1,745,281)
University Fund Allocation[2]	2,455,287	2,485,976	2,485,976	2,485,976	2,485,976	2,485,976
Net Expense Budget	13,488,543	13,660,736	14,896,364	15,203,818	15,449,873	15,664,200

Pharmacy	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	36,085,919	36,055,155	37,370,201	39,141,590	40,582,550	42,032,161
University Fund Contribution	(3,351,109)	(3,378,314)	(3,507,460)	(3,682,310)	(3,825,715)	(3,968,985)
University-Wide Costs	(9,825,683)	(10,238,485)	(10,685,363)	(11,182,693)	(11,614,397)	(11,999,136)
Student Aid Expense	(3,073,910)	(2,573,972)	(2,020,169)	(1,333,744)	(1,357,974)	(1,384,382)
University Fund Allocation[2]	466,017	517,095	517,095	517,095	517,095	517,095
Net Expense Budget	20,301,235	20,381,478	21,674,304	23,459,938	24,301,558	25,196,753

KPE	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	18,493,320	20,327,755	20,854,898	21,570,508	22,002,576	22,447,461
University Fund Contribution	(1,781,881)	(1,958,137)	(2,009,976)	(2,081,021)	(2,123,697)	(2,167,624)
University-Wide Costs	(5,681,886)	(6,283,426)	(6,525,563)	(6,768,400)	(6,954,510)	(7,149,422)
Student Aid Expense	(1,287,743)	(1,405,344)	(1,470,266)	(1,545,254)	(1,590,686)	(1,654,529)
University Fund Allocation[2]	1,753,432	1,855,823	1,855,823	1,855,823	1,855,823	1,855,823
Net Expense Budget	11,495,241	12,536,672	12,704,916	13,031,657	13,189,506	13,331,708

APSE	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	221,985,517	225,634,750	231,013,096	244,434,708	258,336,462	270,869,329
University Fund Contribution	(20,496,107)	(20,943,690)	(21,483,730)	(22,853,520)	(24,299,523)	(25,584,881)
University-Wide Costs	(70,384,637)	(75,690,514)	(78,501,847)	(81,905,163)	(84,694,632)	(87,366,333)
Student Aid Expense	(14,716,594)	(15,542,692)	(16,449,627)	(17,665,223)	(18,443,340)	(19,326,657)
University Fund Allocation[2]	16,619,437	17,472,567	17,472,567	17,472,567	17,472,567	17,472,567
Net Expense Budget	133,007,617	130,930,421	132,050,459	139,483,368	148,371,533	156,064,025

Notes:
1. Attributed revenue net of recoveries from restricted funds and divisional income
2. Includes allocations up to and including 2018-19. Flatlined for outer years.

Appendix A: Long Range Budget Guidelines

Schedule 5: Projected Divisional Net Revenue Allocations, 2018-19 to 2022-23

Architecture, L & D	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	31,810,265	36,299,131	37,852,747	38,648,233	39,845,232	41,899,272
University Fund Contribution	(3,116,920)	(3,558,761)	(3,712,751)	(3,791,252)	(3,910,387)	(4,114,919)
University-Wide Costs	(8,694,905)	(8,993,923)	(9,411,228)	(9,690,283)	(9,952,651)	(10,274,751)
Student Aid Expense	(1,928,218)	(1,774,043)	(1,681,666)	(1,698,486)	(1,741,633)	(1,836,033)
University Fund Allocation[2]	5,828,274	5,586,676	5,586,676	5,586,676	5,586,676	5,586,676
Net Expense Budget	23,898,496	27,559,080	28,633,778	29,054,888	29,827,237	31,260,245

OISE	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	70,030,678	74,545,537	81,738,372	86,181,016	90,051,335	93,645,931
University Fund Contribution	(6,732,712)	(7,196,682)	(7,914,524)	(8,356,632)	(8,741,796)	(9,099,507)
University-Wide Costs	(23,162,565)	(25,136,240)	(26,797,662)	(28,332,813)	(29,192,027)	(30,243,315)
Student Aid Expense	(4,033,173)	(2,472,951)	(2,515,196)	(2,497,750)	(2,500,698)	(2,510,452)
University Fund Allocation[2]	14,979,796	15,179,398	15,179,398	15,179,398	15,179,398	15,179,398
Net Expense Budget	51,082,023	54,919,062	59,690,388	62,173,219	64,796,212	66,972,055

Forestry	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	3,633,647	3,680,019	3,944,247	4,078,325	4,220,284	4,381,782
University Fund Contribution	(263,384)	(264,885)	(290,186)	(302,632)	(316,006)	(331,357)
University-Wide Costs	(2,188,081)	(2,244,387)	(2,404,062)	(2,540,990)	(2,641,931)	(2,733,676)
Student Aid Expense	(594,721)	(595,689)	(610,380)	(620,509)	(630,818)	(640,710)
University Fund Allocation[2]	2,562,612	2,555,081	2,555,081	2,555,081	2,555,081	2,555,081
Net Expense Budget	3,150,073	3,130,139	3,194,701	3,169,276	3,186,610	3,231,120

Law	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	33,949,623	36,432,865	38,504,785	41,172,473	42,737,101	44,473,710
University Fund Contribution	(3,229,623)	(3,470,185)	(3,673,600)	(3,937,298)	(4,090,878)	(4,261,843)
University-Wide Costs	(8,354,402)	(9,019,589)	(9,468,945)	(9,944,705)	(10,354,007)	(10,679,140)
Student Aid Expense	(1,489,420)	(1,618,048)	(1,656,310)	(1,689,601)	(1,716,622)	(1,744,379)
University Fund Allocation[2]	7,152,229	4,585,251	4,585,251	4,585,251	4,585,251	4,585,251
Net Expense Budget	28,028,406	26,910,295	28,291,182	30,186,121	31,160,845	32,373,600

Information	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	16,273,940	17,465,527	20,594,617	23,142,552	25,387,548	27,625,606
University Fund Contribution	(1,572,494)	(1,692,677)	(2,004,686)	(2,258,169)	(2,481,613)	(2,704,596)
University-Wide Costs	(4,628,183)	(4,944,901)	(5,433,424)	(5,941,687)	(6,312,991)	(6,676,765)
Student Aid Expense	(1,219,441)	(559,016)	(612,356)	(738,227)	(875,561)	(1,032,095)
University Fund Allocation[2]	2,746,832	3,003,966	3,003,966	3,003,966	3,003,966	3,003,966
Net Expense Budget	11,600,653	13,272,899	15,548,117	17,208,434	18,721,349	20,216,115

Notes:
1. Attributed revenue net of recoveries from restricted funds and divisional income
2. Includes allocations up to and including 2018-19. Flatlined for outer years.

Appendix A: Long Range Budget Guidelines

Schedule 5: Projected Divisional Net Revenue Allocations, 2018-19 to 2022-23

Music	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	20,275,347	20,500,528	21,716,819	22,330,188	23,018,469	23,447,257
University Fund Contribution	(1,866,764)	(1,880,900)	(1,999,126)	(2,057,405)	(2,123,879)	(2,164,285)
University-Wide Costs	(6,866,750)	(7,270,545)	(7,612,325)	(7,948,700)	(8,232,614)	(8,431,301)
Student Aid Expense	(2,346,491)	(2,286,243)	(2,361,870)	(2,400,500)	(2,434,262)	(2,469,616)
University Fund Allocation[2]	7,103,689	6,227,930	6,227,930	6,227,930	6,227,930	6,227,930
Net Expense Budget	16,299,031	15,290,771	15,971,428	16,151,514	16,455,644	16,609,986

Social Work	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	13,905,343	14,613,353	15,133,024	15,495,168	15,824,942	16,140,799
University Fund Contribution	(1,228,031)	(1,296,568)	(1,346,432)	(1,380,912)	(1,412,416)	(1,442,506)
University-Wide Costs	(4,209,381)	(4,574,005)	(4,802,449)	(4,978,288)	(5,078,742)	(5,228,906)
Student Aid Expense	(1,485,232)	(1,130,374)	(1,149,126)	(1,163,303)	(1,178,352)	(1,193,450)
University Fund Allocation[2]	1,644,761	1,643,548	1,643,548	1,643,548	1,643,548	1,643,548
Net Expense Budget	8,627,459	9,255,953	9,478,564	9,616,213	9,798,979	9,919,485

Management	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	109,491,002	118,691,132	126,277,851	133,061,395	138,868,609	144,015,051
University Fund Contribution	(10,758,844)	(11,655,806)	(12,410,617)	(13,085,654)	(13,663,676)	(14,175,673)
University-Wide Costs	(23,965,867)	(25,816,116)	(27,310,611)	(28,577,999)	(29,656,461)	(30,622,779)
Student Aid Expense	(3,659,513)	(4,172,294)	(4,441,219)	(4,869,056)	(5,170,086)	(5,433,838)
University Fund Allocation[2]	7,834,017	7,325,916	7,325,916	7,325,916	7,325,916	7,325,916
Net Expense Budget	78,940,796	84,372,832	89,441,320	93,854,603	97,704,301	101,108,677

Trans. Year. Prog.	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	803,997	858,714	878,318	897,616	917,362	936,263
University Fund Contribution	(44,047)	(48,277)	(49,392)	(50,580)	(51,896)	(53,127)
University-Wide Costs	(503,996)	(515,398)	(536,980)	(557,921)	(570,356)	(588,326)
Student Aid Expense	(413,494)	(433,870)	(447,423)	(458,983)	(468,588)	(478,324)
University Fund Allocation[2]	1,702,728	1,708,678	1,708,678	1,708,678	1,708,678	1,708,678
Net Expense Budget	1,545,188	1,569,848	1,553,201	1,538,810	1,535,201	1,525,165

School of Cont. Studies	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Attributed Revenue[1]	433,849	673,969	711,337	750,154	813,305	861,837
University Fund Contribution	(2,872,107)	(2,966,326)	(3,042,537)	(3,120,711)	(3,203,179)	(3,286,090)
University-Wide Costs	(2,542,119)	(2,683,117)	(2,832,006)	(2,986,585)	(3,101,284)	(3,211,526)
Student Aid Expense	(7,576)	(12,881)	(13,196)	(13,453)	(13,682)	(13,911)
University Fund Allocation[2]	1,612,953	1,643,482	1,643,482	1,643,482	1,643,482	1,643,482
Net Expense Budget	(3,375,001)	(3,344,874)	(3,532,919)	(3,727,114)	(3,861,358)	(4,006,208)

Notes:
1. Attributed revenue net of recoveries from restricted funds and divisional income
2. Includes allocations up to and including 2018-19. Flatlined for outer years.

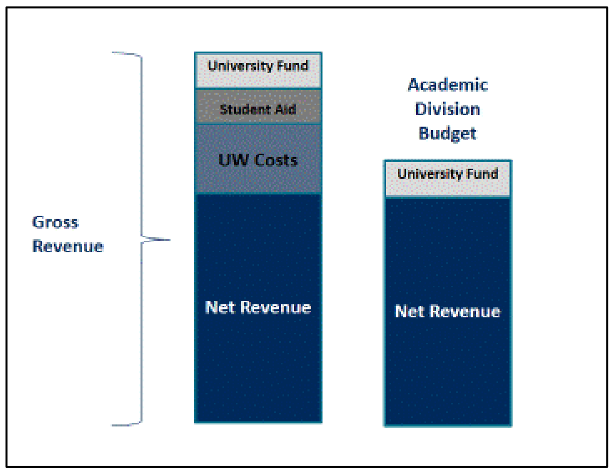
Appendix B: The UofT Planning and Budget Framework

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 Planning Process

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 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.

Budget Framework

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.

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.