

**Budget Report
Tuition Fees
Student Aid
2012-13**



**Academic Board
March 14, 2012**

Discussion Today

Context

Enrolment and Revenue

Student Aid

Expenses

Structural Deficit Challenge



2

STUDENTS : FACULTY

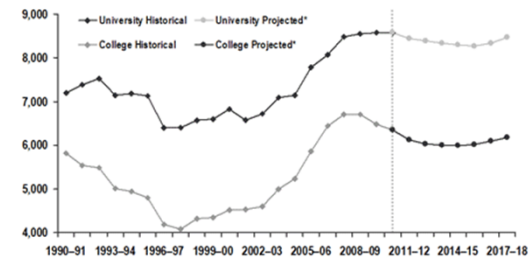
Fiscal Context

- Provincial deficit~\$16 billion, federal~\$30 billion
- MTCU announced enrolment expansion at undergraduate (35,000) and graduate (6000) levels – no allocation details yet
- Extension of provincial tuition framework for one year announced last week
- Significant need for capital funding to keep pace with enrolment growth and aging infrastructure

Drummond Report....

CHART 7.1 University and College Per-Student Funding in Ontario Since the 1990s (not adjusted for inflation)

Funding per Full-Time Equivalent Student



* Based on 1.5 per cent growth in current government operating grants.
Full-Time Equivalent — includes all domestic students eligible for funding (full-time and part-time, etc).
Source: Data up to 2010-11 are from the Ontario Ministry of Training, Colleges and Universities (MTCU) and the projections are based on the Commission's own recommendations of growing operating grants by 1.5 per cent and dividing by enrolment data provided by MTCU.

5

Drummond Report....

- Recommends 1.5% per annum increase
- Sector growth projected at 1.7%
- Impact on 2012-13 expected to be minimal

6

2012-13 Overview

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

Key Budget Assumptions

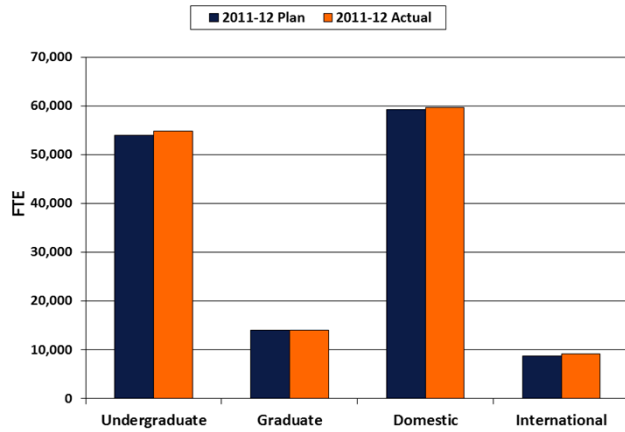
- Full BIU funding
- Tuition framework continues (5% with restrictions → maximum at UofT = 4.3%)
- Stage 2 pension solvency relief: \$97.2M base operating fund expense by 2015-16 (we have now received Stage 1 approval)
- Impact of Ontario Tuition Grant on Student Access Guarantee and operating budget still unclear

ENROLMENT & REVENUE

Enrolment plans

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

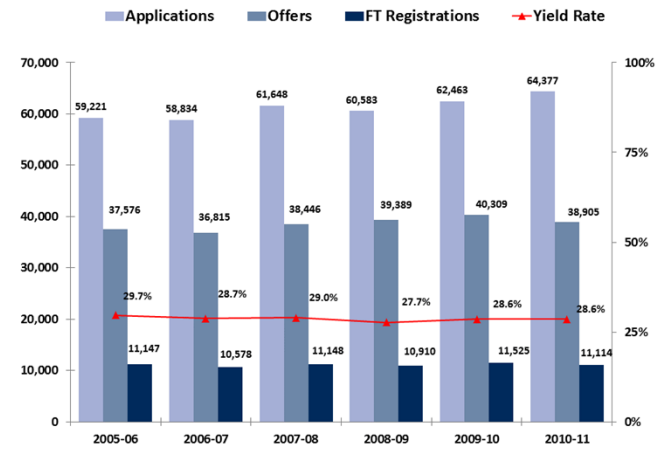
2011-12 Enrolment: plan vs. actual



11

Direct-Entry Undergraduate

Applications, Offers, Registrations and Yield Rates



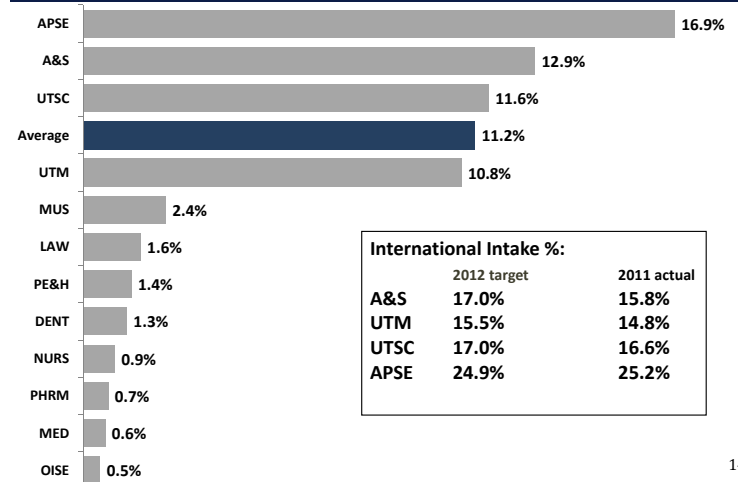
12

Summary of Undergraduate Enrolment Plans

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

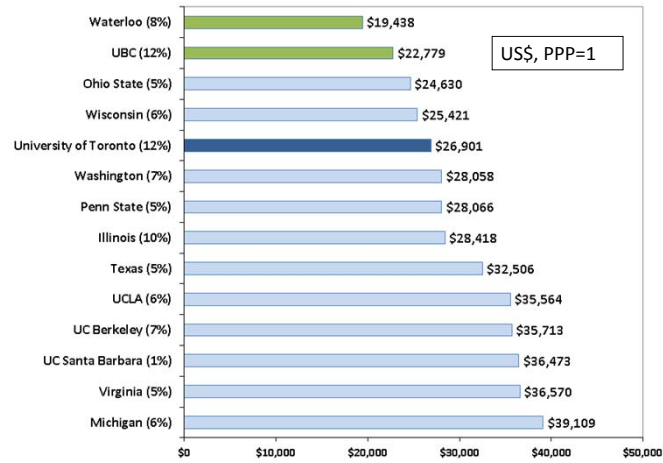
13

International UG FTE as % of Total



14

Arts and Science International UG Tuition Fee 2011-12

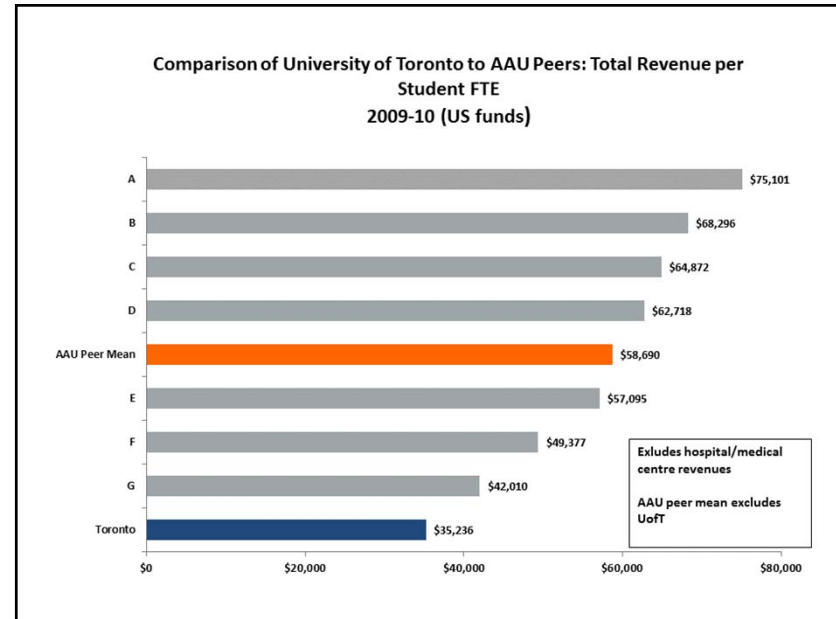
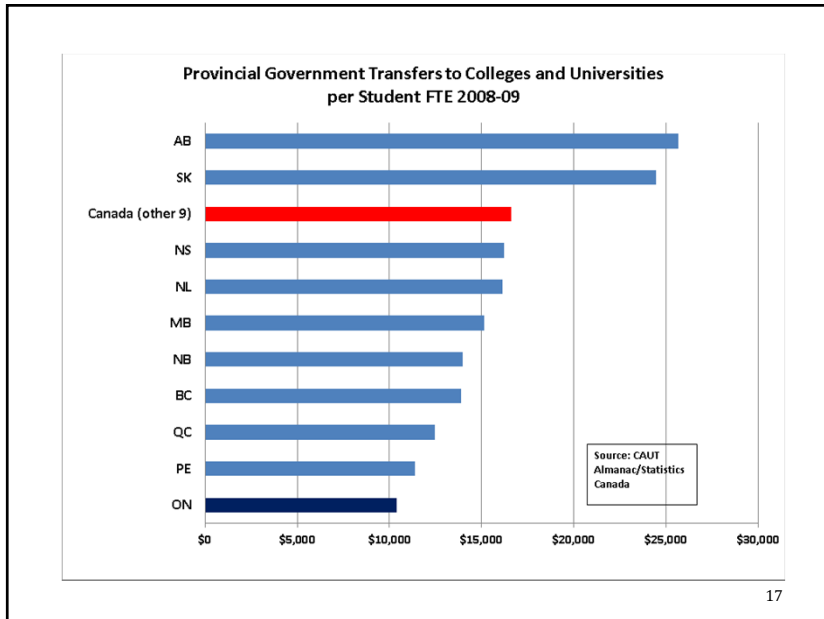


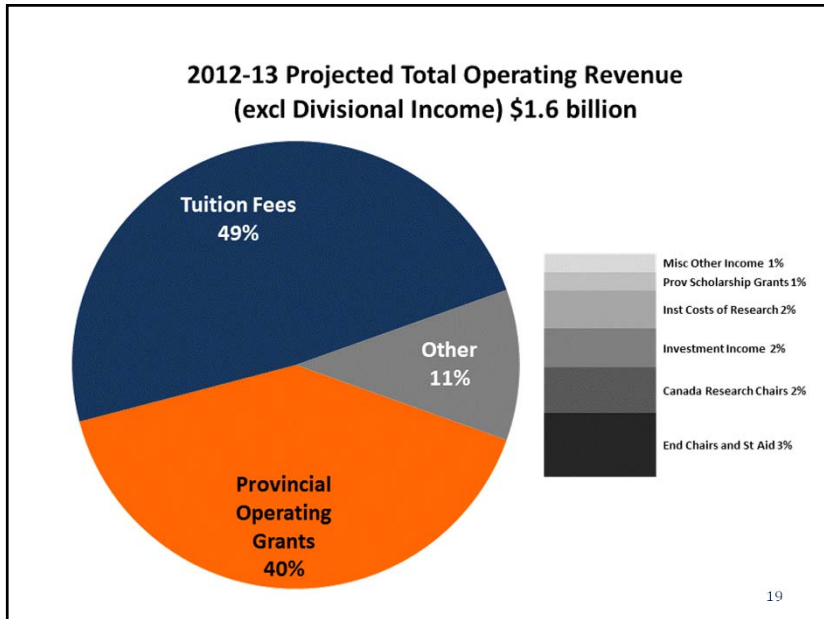
15

Summary of Graduate Enrolment Plans

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

16





Incremental Revenue 2012-13 \$100M (excluding divisional income)

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

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

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

20

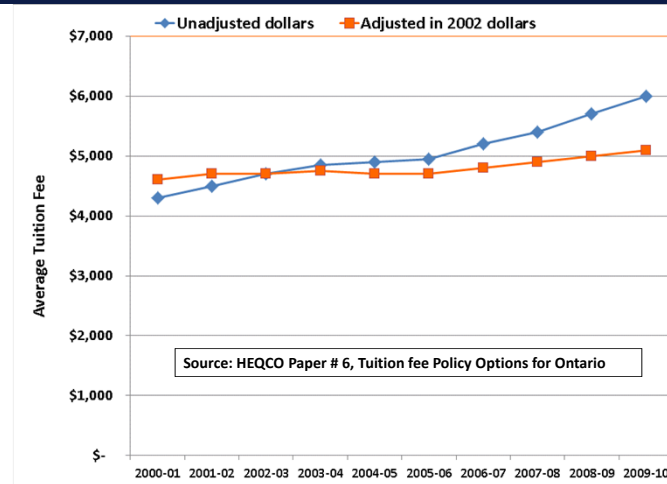
Tuition revenue will increase by \$81M in 2012-13
(if no change in Tuition Framework)

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

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

21

Ontario University Tuition 2000 to 2009



STUDENT AID

Student Aid Policy

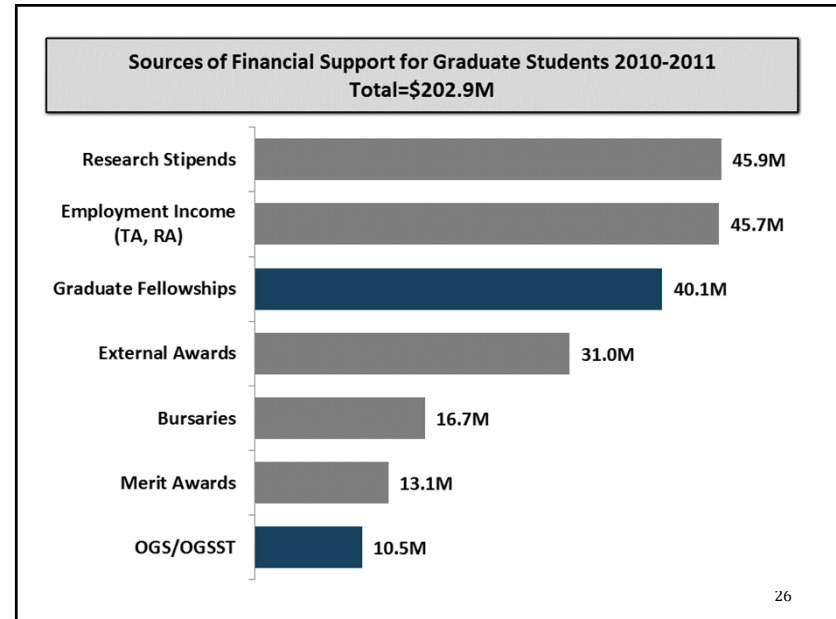
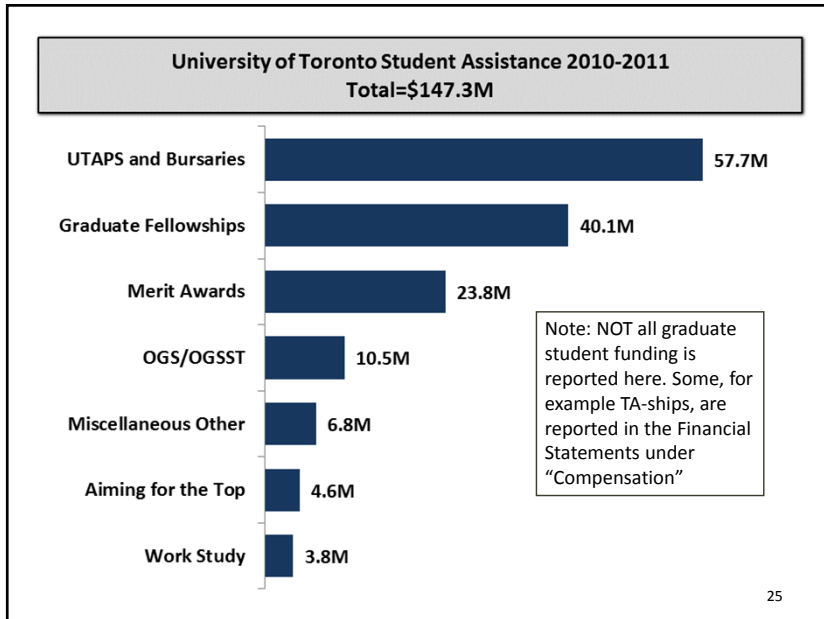
UofT Policy 1998

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

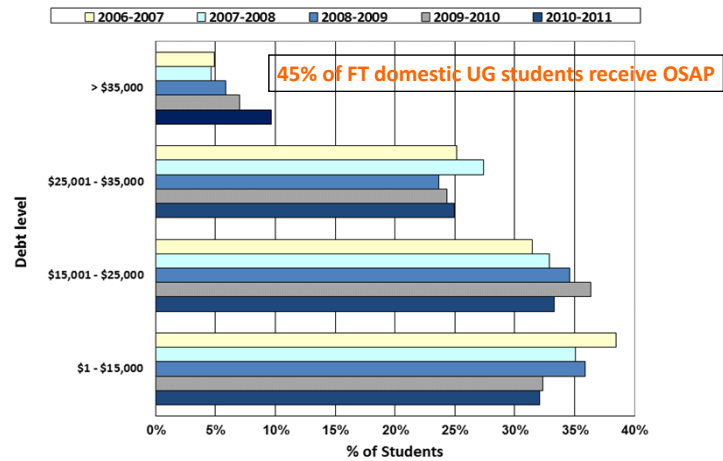
MTCU Student Access Guarantee (SAG)

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

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



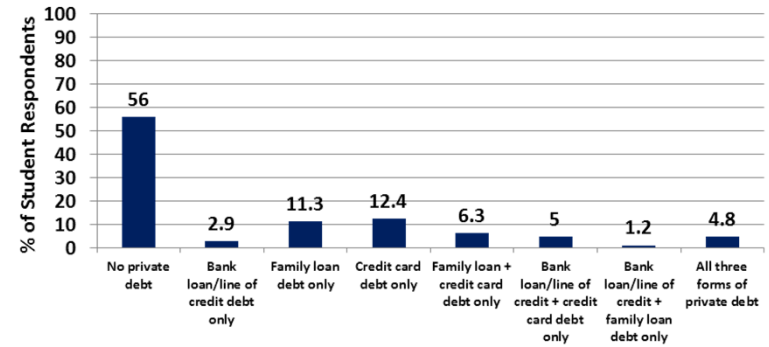
Students with OSAP Debt Graduating from Direct-entry Programs (2010 dollars)



Student Debt Survey

(direct entry graduates June 2011)

Percentage of Respondents With and Without Private Debt



24.5% of respondents have private AND OSAP debt

Ontario Tuition Grant

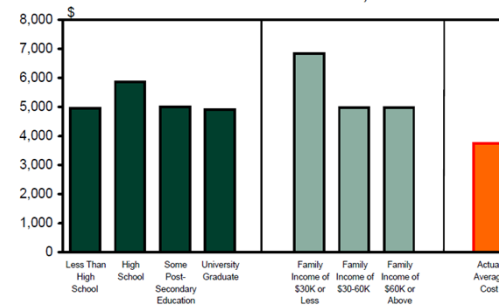
\$1600 OTG announced by Province

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

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

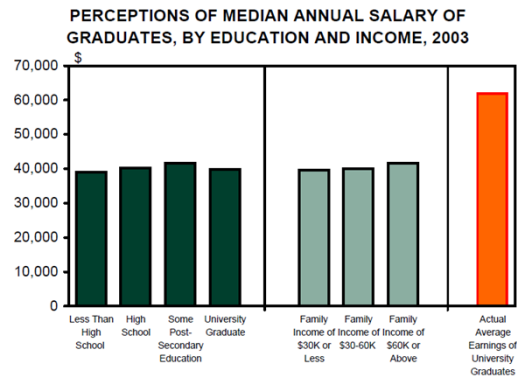
Perceptions of tuition

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



Source: Canada Millennium Scholarship Foundation.

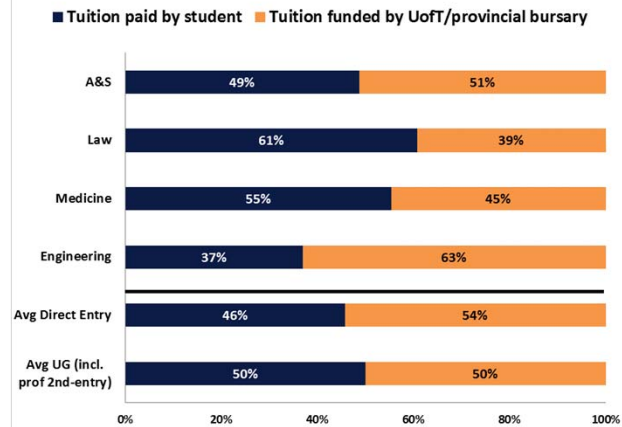
Perceptions of income



Source: Canada Millennium Scholarship Foundation.

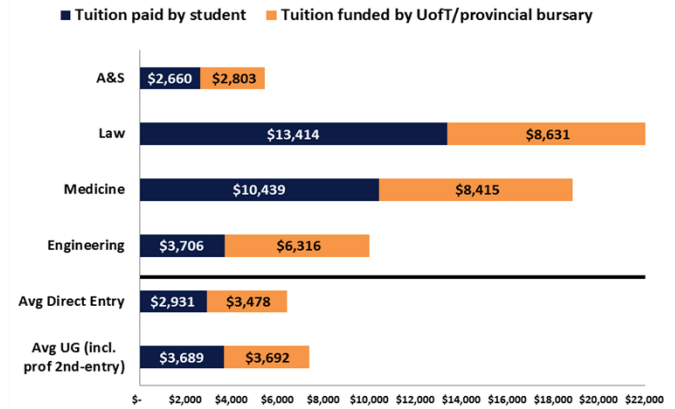


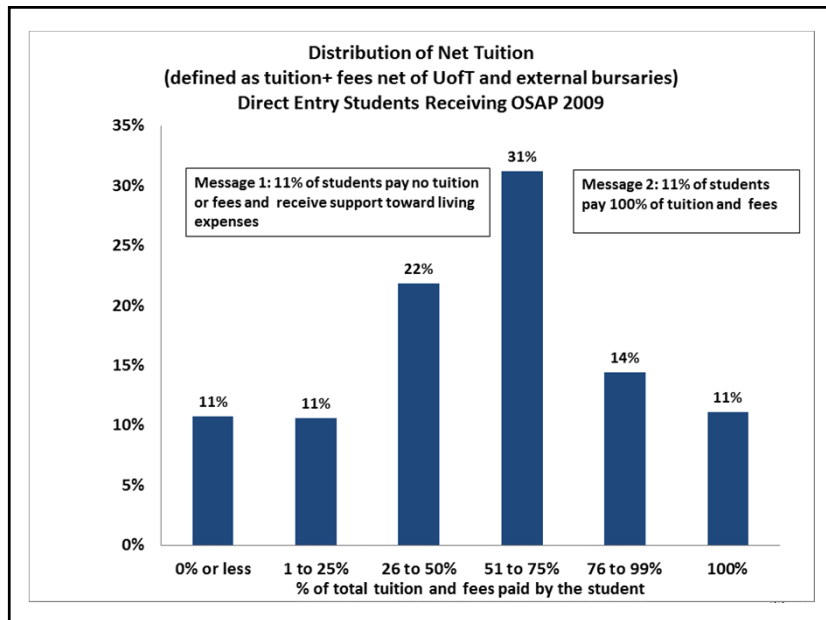
Average "effective tuition" for students receiving OSAP in 2009-10



50%

What do OSAP students pay? (2009-10)





Other Revenue

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

Incremental revenue over the last 3 years

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

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

37

Additional students, faculty and staff over the last 3 years

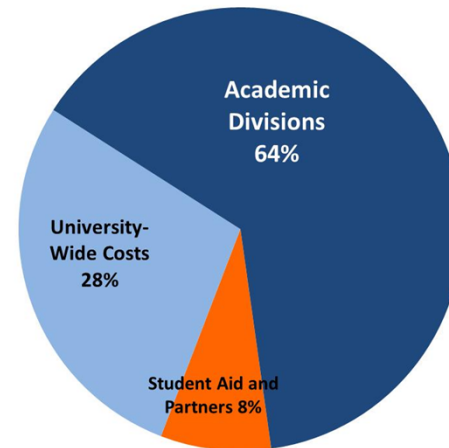
FTE Category	3-Year Average Increase (per year)
Student FTE	1,436.3
Faculty FTE	48.2
Staff FTE	81.4

38



EXPENSES

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



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

Academic Divisions

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

41

University Fund Allocations

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

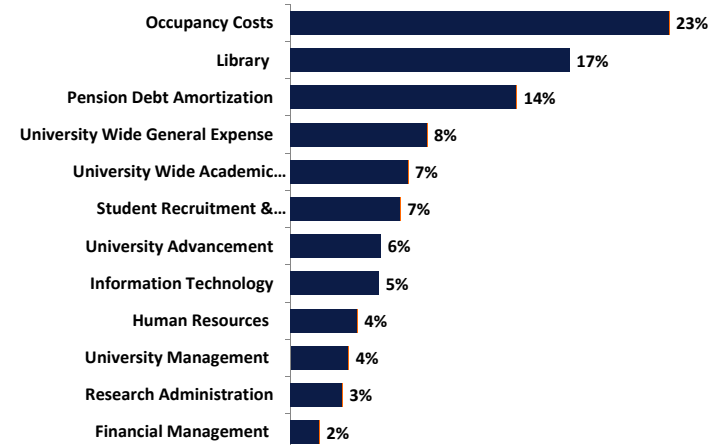
42

University-wide Expenses

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

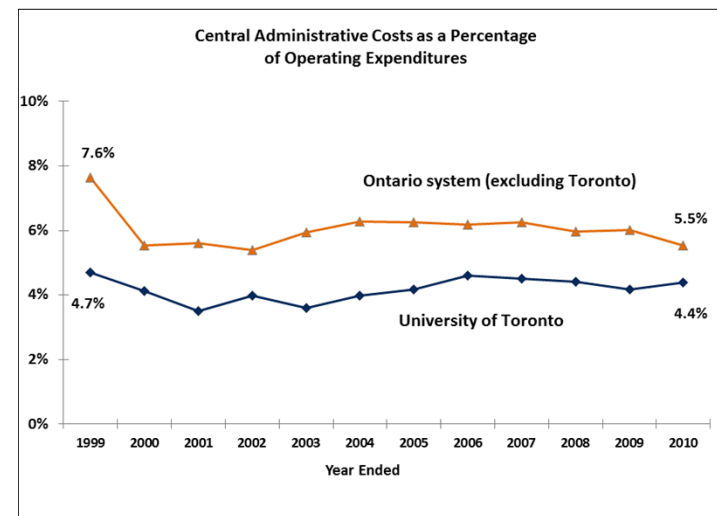
University Wide Costs by Bin, 2012-13

Total \$439.6M (excluded Federated Block Grant)



Allocation of \$100M incremental revenue to divisions (\$M)

	Total	Academic	Shared Services	Student Aid
Share of total new revenue		81%	8%	11%
Increase over prior year	6.7%	7.9%	2.8%	5.4%



Source: COU Financial Report of Ontario Universities

Pension Problem

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

Pension Strategy

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

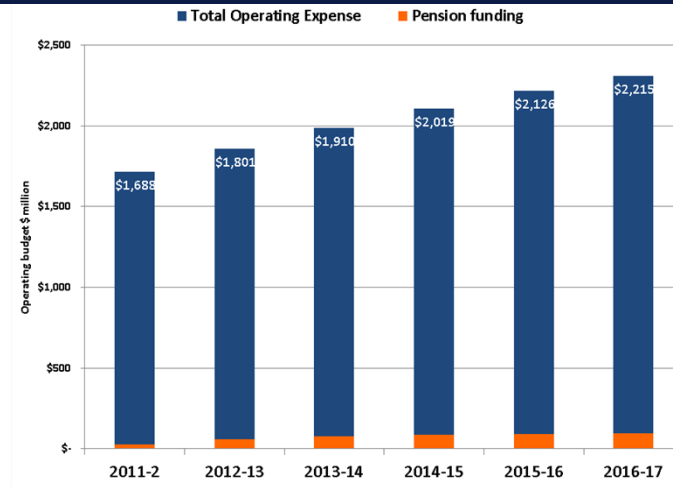
Pension Special Payments and other related costs

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

Annual total expense of ~\$97M to 2030

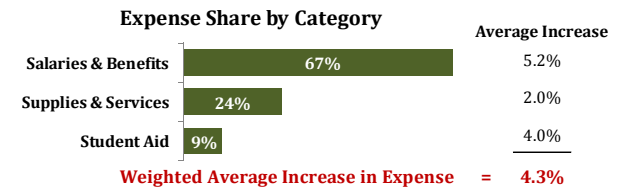
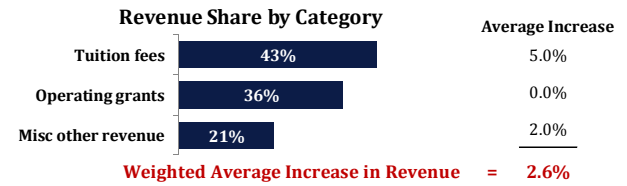


Pension expense 4% of total operating expense

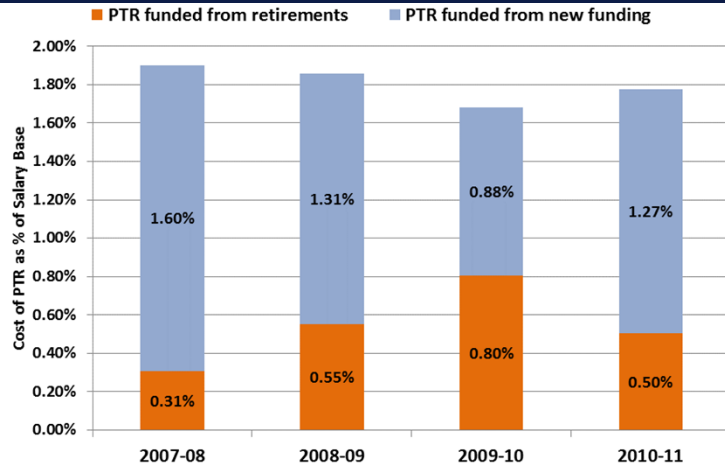


STRUCTURAL BUDGET CHALLENGE

Structural Budget Challenge = 1.7%



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



Annual Incremental Cost of Compensation Settlements

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



Conclusion

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

55