

## **2011-12 Budget Report and Long Range Budget Guidelines 2011-12 to 2015-16**

**Planning and Budget Committee  
March 2, 2011**

### **Fiscal Context**

- Funding for higher education is flat, and decreasing in many jurisdictions
- Regulated provincial tuition framework continues
- Enrolment demand remains strong at UofT
- Pension challenges: like almost every other Canadian and US public sector institution with Defined Benefit pension plan

## Overview

- Balanced budget at the institutional level for 2011-12
- Continue to pay down accumulated deficit on schedule
- \$108.6M new revenue over last year (\$10.4M UF)
- Budget model enables us to manage well relative to many other Ontario universities
- Continuing uncertainty on compensation settlements in new regulated provincial environment
- Funding of key institutional priorities

## 2011-12 Operating Budget Overview \$M

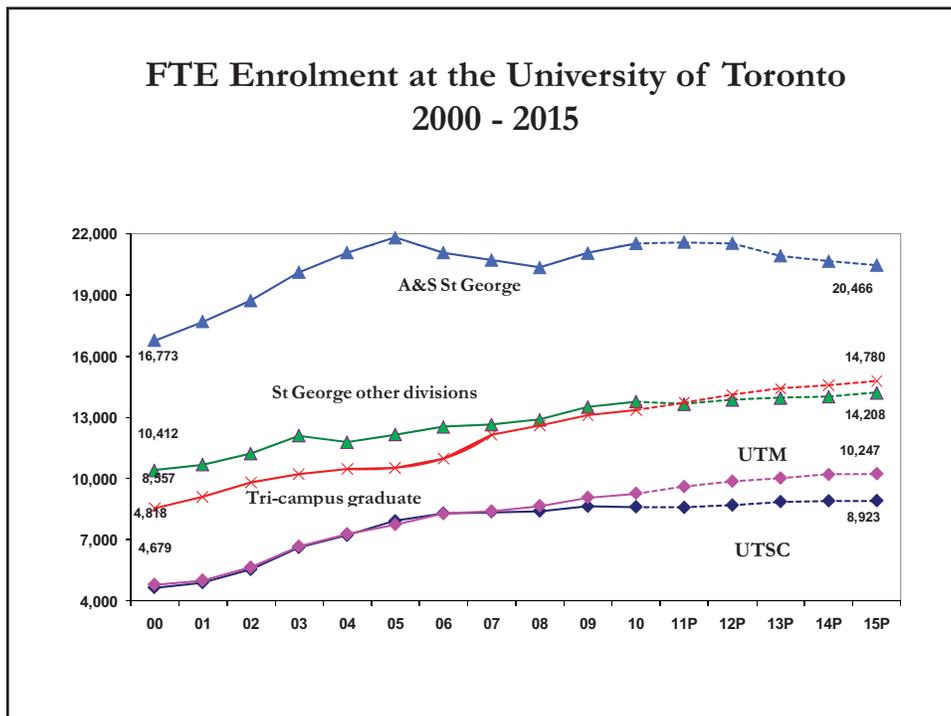
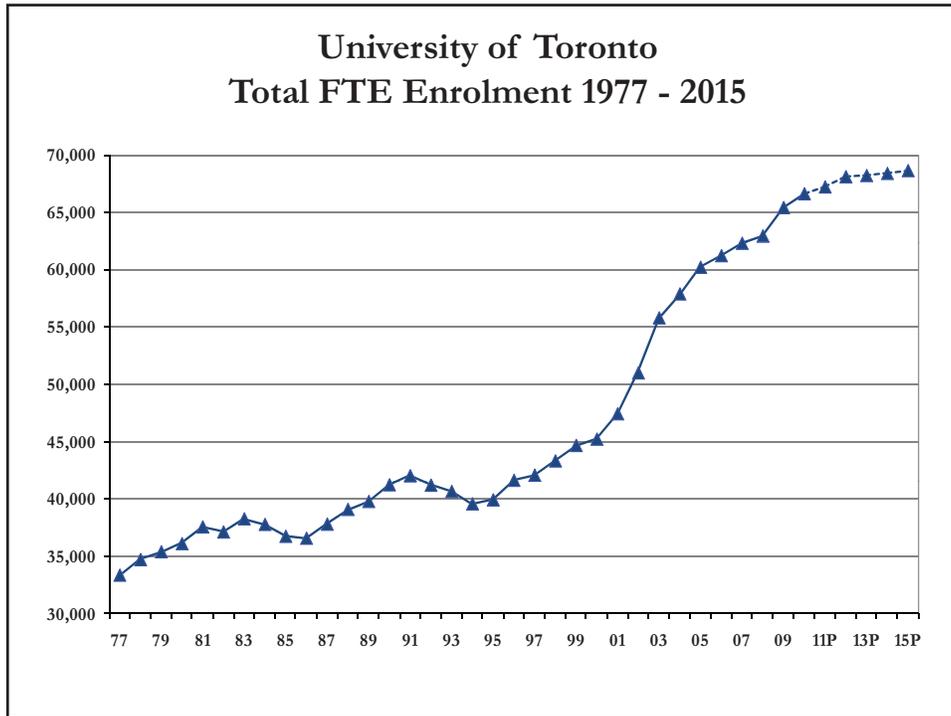
Revenue/expense category	\$M	% of total revenue	% of revenue excl. divisional revenue
Operating grants and tuition	1,316	78%	89%
Other general revenue	168	10%	11%
General university revenue	1,484		100%
Divisional revenues	204	12%	
<b>Total revenue</b>	<b>1,688</b>	<b>100%</b>	
Centrally-funded student aid	98	6%	
University-wide costs	425	25%	
Academic divisions	1,165	69%	
<b>Total expense</b>	<b>1,688</b>	<b>100%</b>	

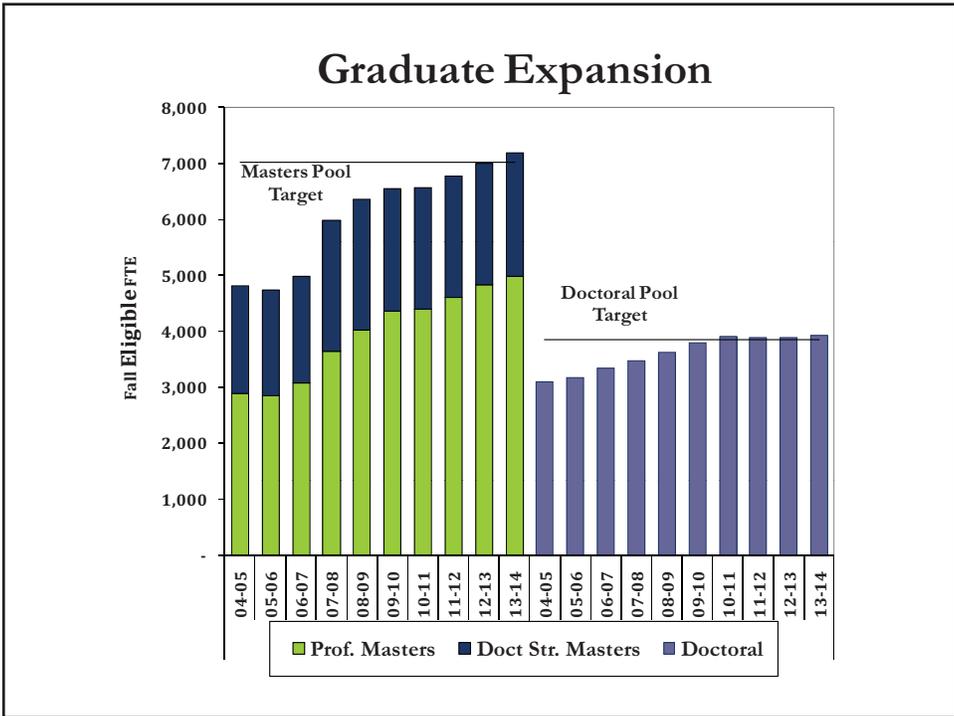
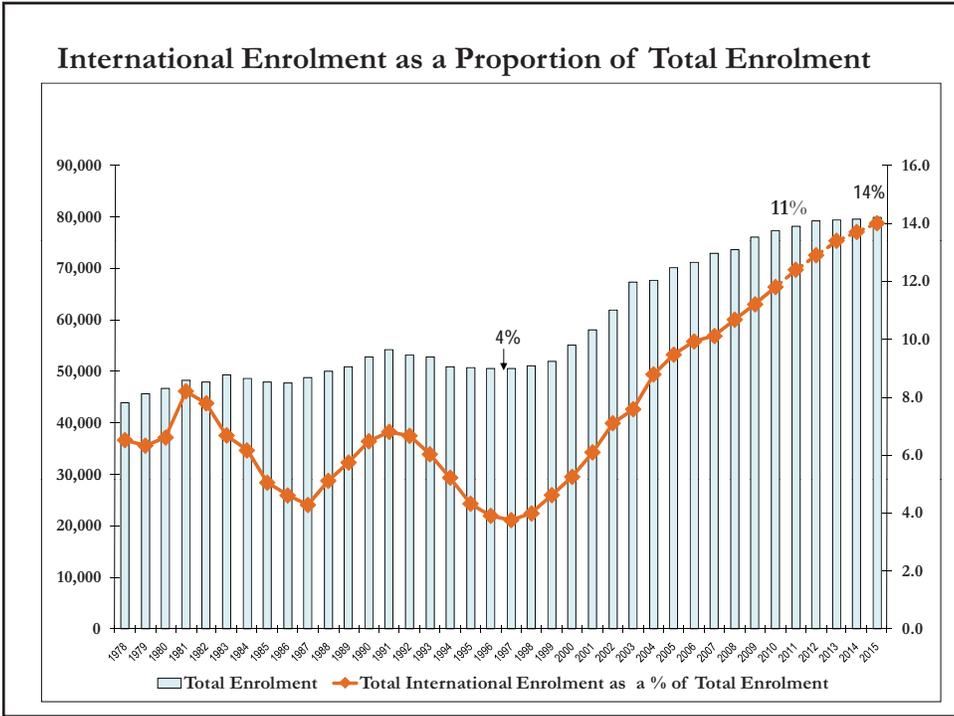
## Enrolment and Revenue

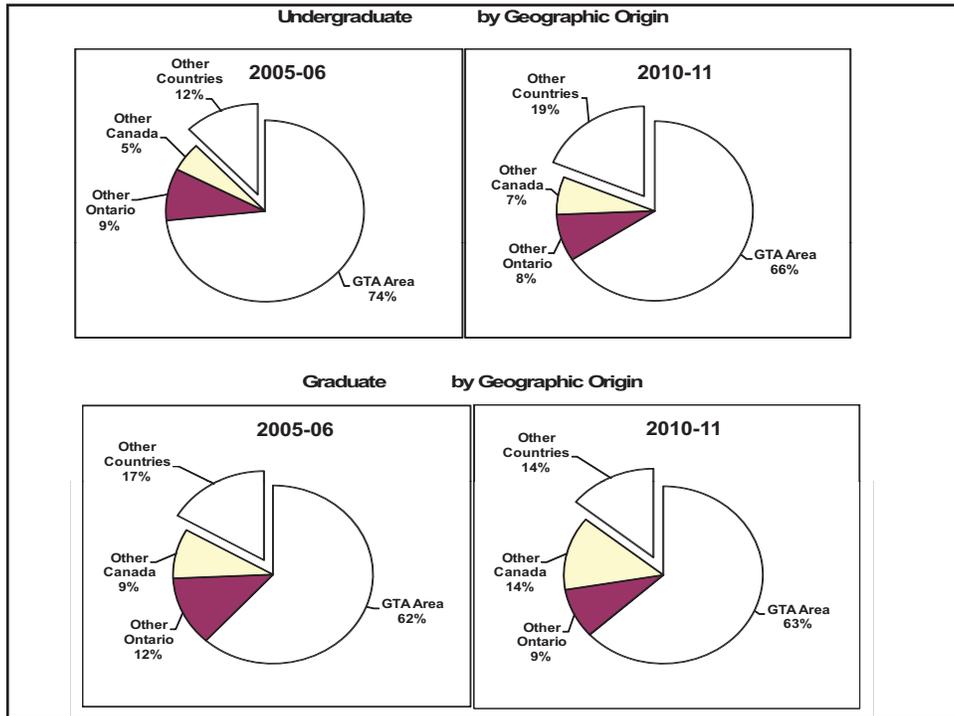


## Enrolment

- **Total UofT** → Planned growth of 2500 students by 2015-16 to 81,000
- **St George A&S** → Decrease of 1200 full time students
- **UTM and UTSC** → additional growth planned but dependent on space capacity
- **Graduate expansion** → continues to 2013-14
- **MTCU caps** on graduate and UG totals
- **International** enrolment planned to increase across many divisions







## 2011-12 New Revenue

Revenue category	2011-12 \$M
Operating Grants	31.7
Tuition – tuition and enrolment volume	66.0
Other (endowment, investment and application fees)	10.9
<b>Total</b>	<b>108.6</b>

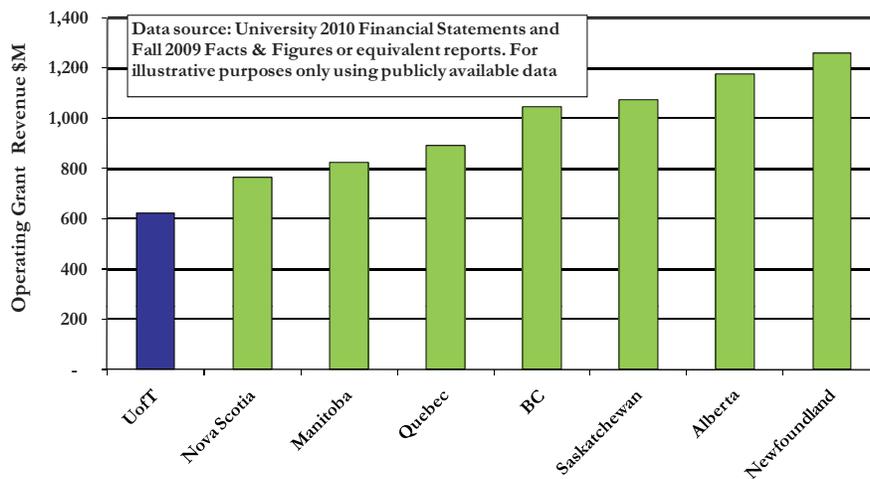
Critical need to increase government support for per-student funding and student aid

## Government Operating Grants

- Full per-student funding for UG and (most)graduate students for current plan
- Need for more undergraduate & graduate spaces
- Increase in funding over the 5-year period resulting primarily from masters growth , some growth at UTM and UTSC (total \$11M)
- Increased per-student funding for MD (\$11M)and PGME (\$1.5M) students next year



**Government Operating Grants:  
if UofT were in another province  
(using one university in each province as a proxy )**



## Tuition

- Tuition Framework continues for 2011-12 , assume continues beyond
- 5% overall, tri-campus A&S 4.5% new, 8 % most others, 4% continuing
- Average: domestic increase 4.31% international 6.42%
- Continue to meet requirements of UofT policy and MTCU Student Access Guarantee

## Domestic Tuition Increase 2011-12

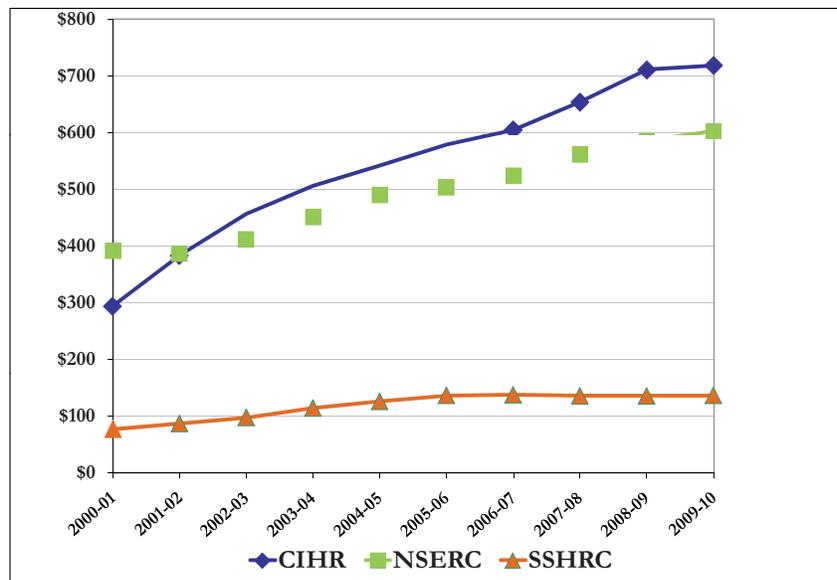
Tuition fee increase	2011-12 (% of students)	2010-11 (% of students)
\$250 or less	60.9%	62.2%
\$251 to \$350	19.6%	19.6%
Over \$350	19.5%	18.2%
Total	100.0%	100.0%
<b>Weighted average increase</b>	<b>\$325</b>	<b>\$309</b>
<b>Median increase</b>	<b>\$235</b>	<b>\$225</b>

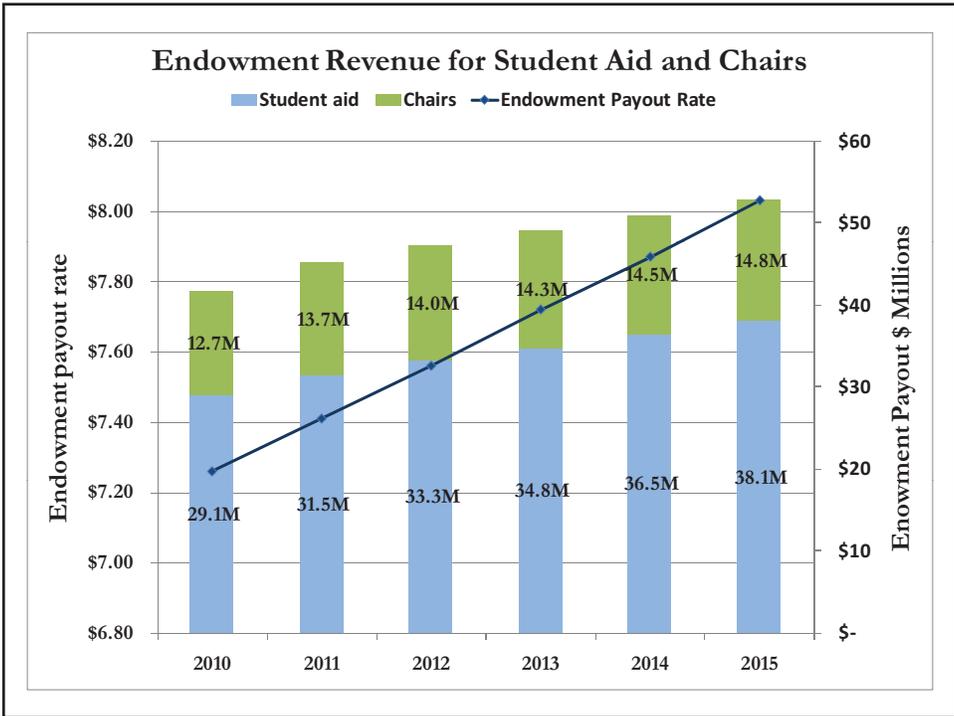
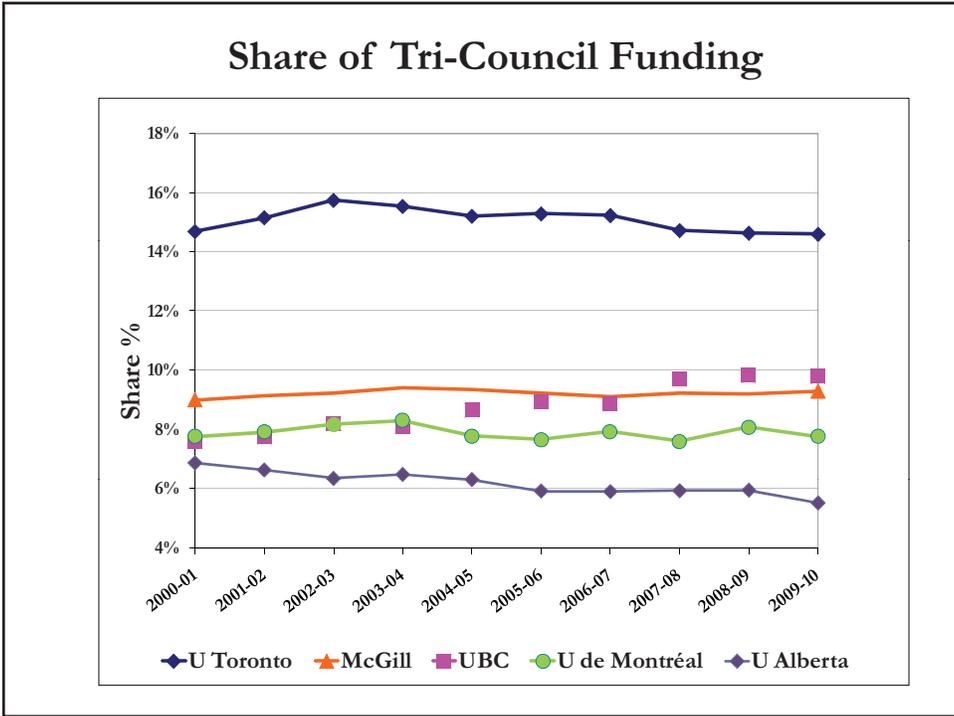
## Other Revenue

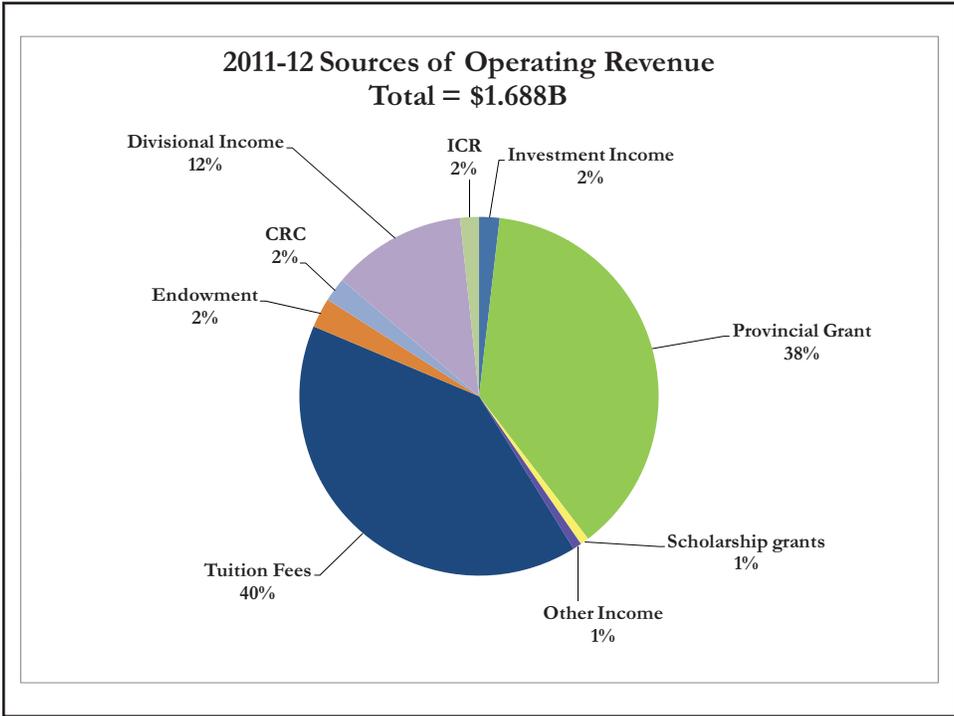
- **CRC chairs:** project decrease of 5 chairs from 247 to 242, back up to 248 by end of planning period
- **Investment income:** this is interest earned on EFIP: rate of return 2.63% this year, 3.22% next year
- **Federal Institutional Cost of Research (ICR):** rate at 18% and falling (\$19.6M) → Actual cost of ICR > 50% ; operating budget absorbs \$30M



**UofT Federal Tri-Council Funding 2000-2010 (\$M)**







## Expense

- Careful controls on spending despite new revenues
- Base and OTO cost containments continue:
  - 3% base across central divisions
  - % varies across academic divisions
  - OTO cost containment continues to pay down old institutional deficit (\$21.5M remains)
- Some investments planned for key institutional priorities

## Pension Problem

- Estimated solvency deficit ~ \$1billion
- Based on certain conditions/metrics, government may approve plan to amortize over 15 years
- **IF** member contributions do not increase, unlikely to receive government approval for extended amortization period
- **RESULT:** \$200M/yr pension special payments



## Pension Proposed Strategies

- Multi-pronged strategy
  - Increase special payment budget
  - Borrow: internally from EFIP and/or externally
  - Sell or lease assets
  - Issue letters of credit
- Strategy must include increased employee contributions for current service costs; these contributions are not used to fund the pension deficit but rather to ensure a sustainable plan for the future

## New Pension Special Payment (over and above existing \$27.2M)

2011-12	\$30M
2012-13	\$20M
2013-14	\$10M
<b>Total new</b>	<b>\$60M</b>

**Full payment:**  
 $\$27.2\text{M} + \$60\text{M} =$   
 $\$87.2\text{M}$  per year to  
 2029

**Alternative scenario 1:** no government approval → ~\$200M per year for 5 years

**Alternative scenario 2:** interest rates increase, markets rise → special payment <\$60M

## Non-Discretionary Expenses

Total non-discretionary expense is decreasing:

- Decrease in utility costs \$2.2M  
(price and volume)
- Modest increases in COU membership fees, AFD funding, and insurance

## Investment in Shared Infrastructure (\$M)

NGSIS, Blackboard, Wireless	7.1
Caretaking, maintenance	2.2
Advancement (campaign)	4.7
Research Services	2.5
Financial Services	0.2
Recruitment & marketing fund	1.0
Library	1.2
<b>Total *</b>	<b>18.9</b>

\* of total, \$15M is OTO

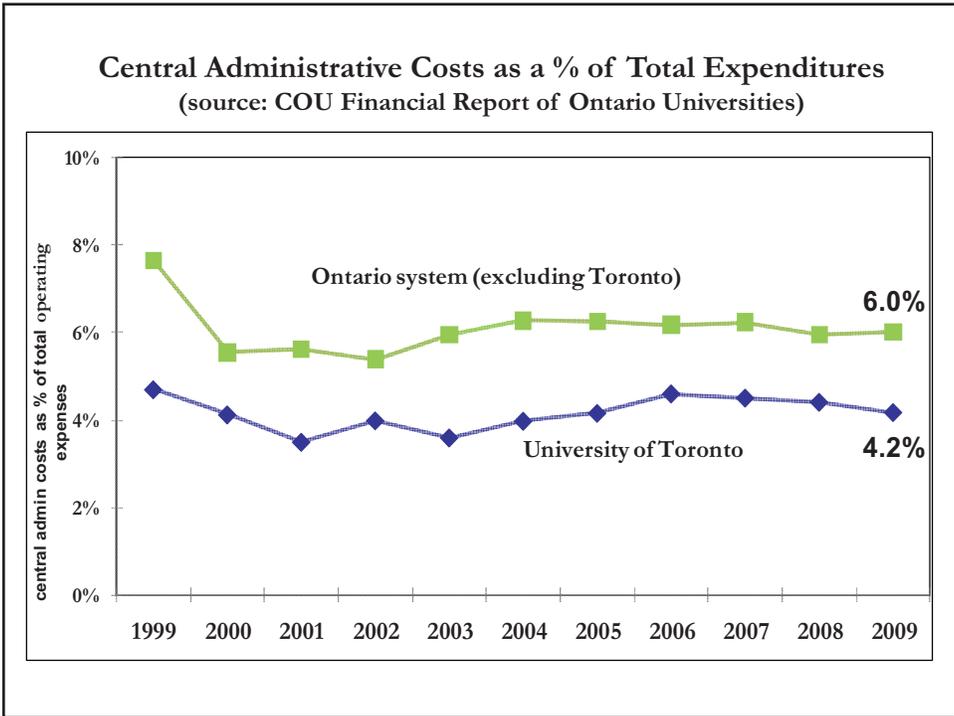
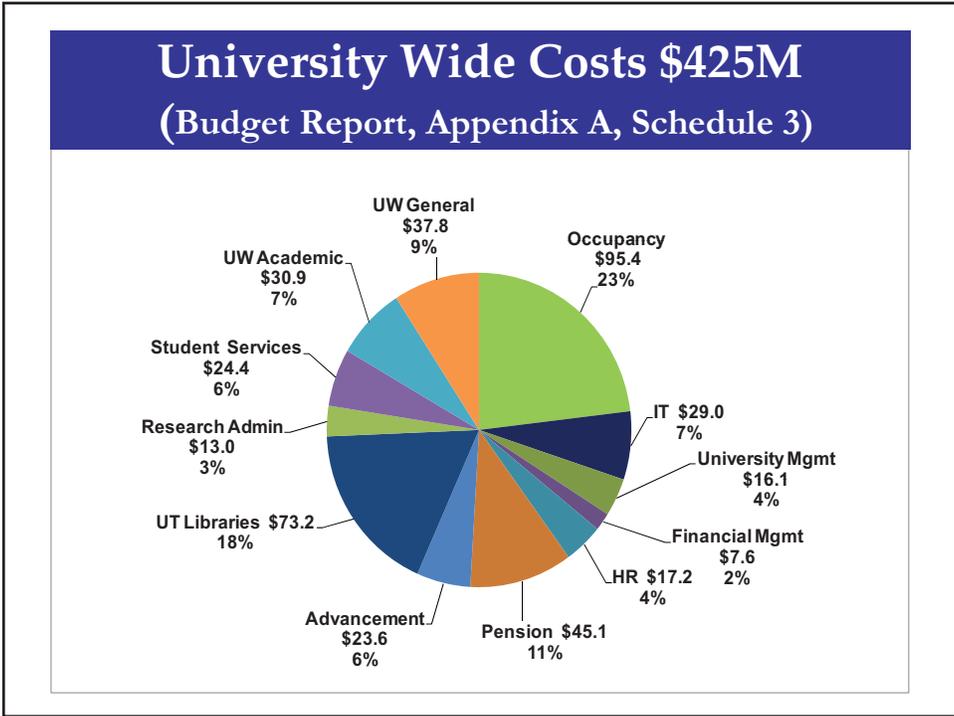


## 2011-12 Incremental University-wide Costs: (Budget Report Appendix A, Schedule 2) (\$M)

Net new allocations to shared-service portfolios	\$4.4
Pension special payment	30.0
Compensation costs for shared services *	0.0
Base cost containment	(4.8)
Allocations to central funds	3.0
<b>Total Increment</b>	<b>\$32.6</b>

\* ATB increases subject to negotiation, adequate funding for merit increases already included in budget





## Student Aid

### 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)

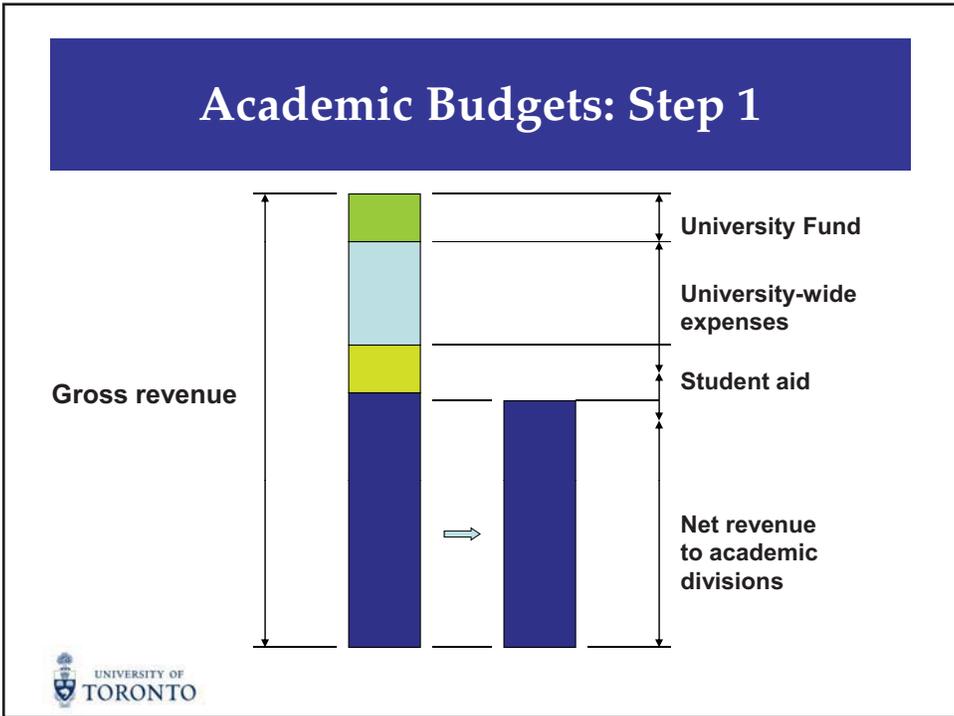
- *No qualified Ontario student should be prevented from attending ... due to lack of financial support programs*
- *Students should have access to the resources they need for their tuition and books and mandatory fees.*



## Funding for Central Student Aid 2011-12, \$M

Operating Funds	3.4
Ontario Graduate Scholarships	2.4
Student aid funded by endowments	2.5
Subtotal	8.3
One-time-only funds (carryforward and expendable donations)	4.0
<b>Total new funds allocated to student aid</b>	<b>12.3</b>
<b>Total student aid funded centrally</b>	<b>98.2</b>

# Budgets for Academic Divisions



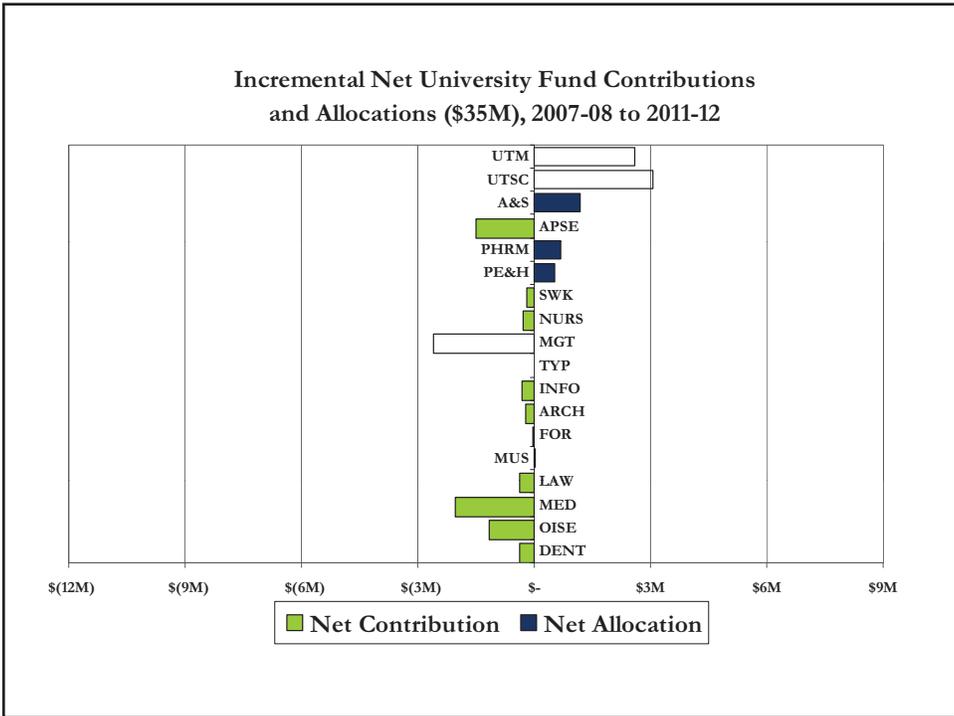
## Academic Budgets: Step 2

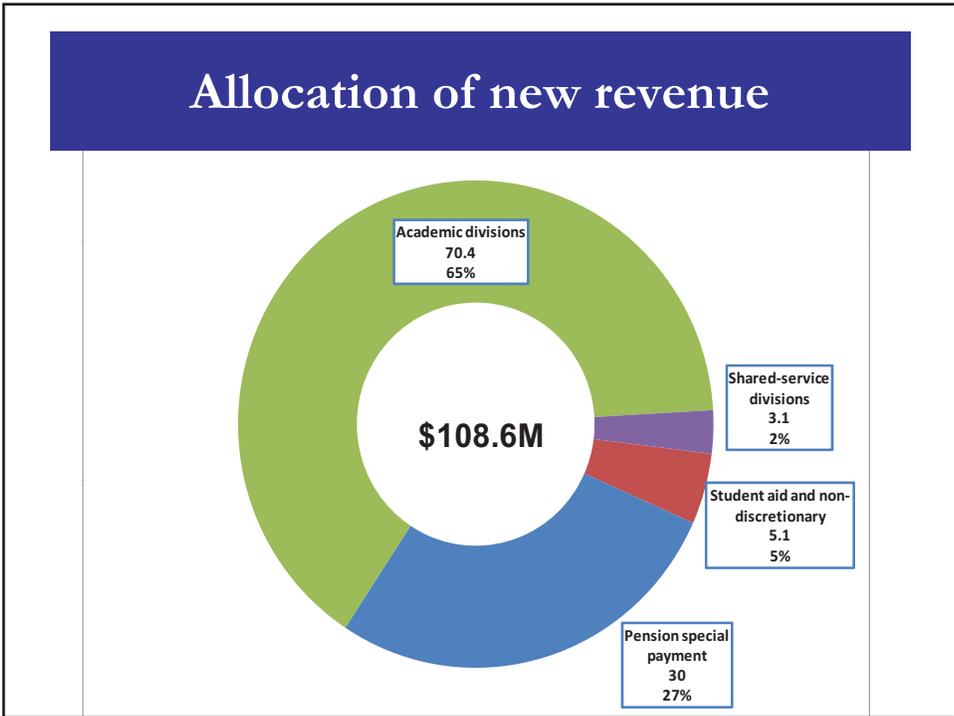
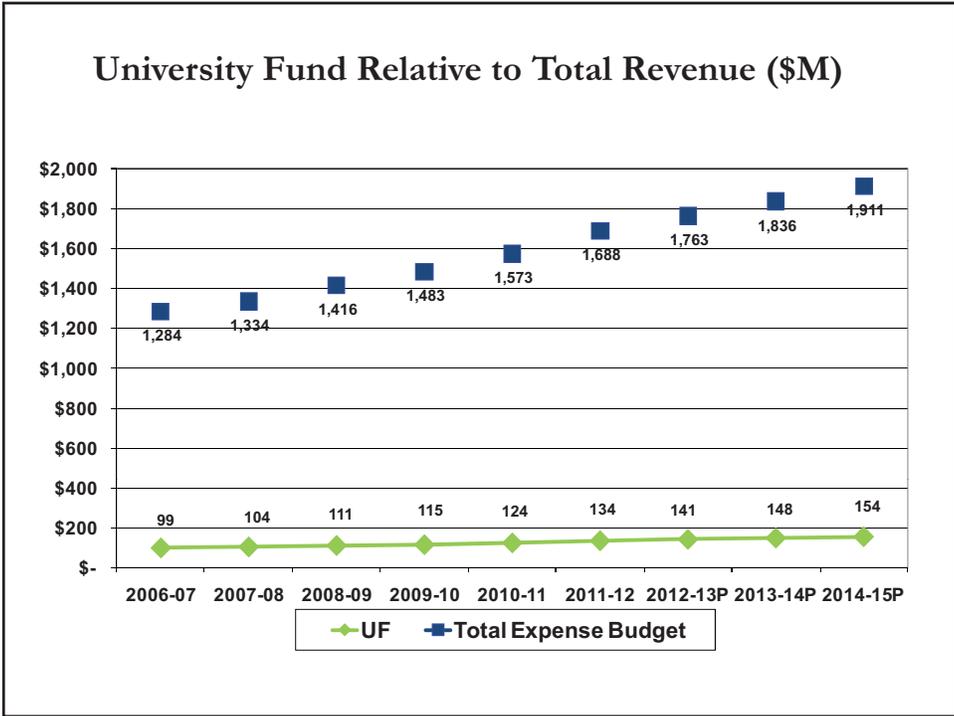
Divisional budget consist of two parts:

Net revenue

+

University fund allocation



## Estimated Divisional Cost Pressures (Appendix A, Schedule 4)

From remaining net revenues, academic divisions must fund:

- Compensation increases \*
- Graduate student support
- Capital costs
- Divisional deficit repayments

\*estimated at 0% ATB for UTFA, USW, PM/C and other unions where no settlement in place, subject to upcoming negotiations

## Summary

**Strategic Decisions Matter**  
**At the institutional level**  
**At the divisional level**  
**At the unit level**