

Budget Report 2012-13

Long Range Budget Guidelines 2012-13 to 2016-17
Enrolment Report 2011-12



UNIVERSITY OF
TORONTO

Planning and Budget Committee

February 29, 2012

Discussion Today

Context

Enrolment and Revenue

Student Aid

Expenses

Structural Deficit Challenge

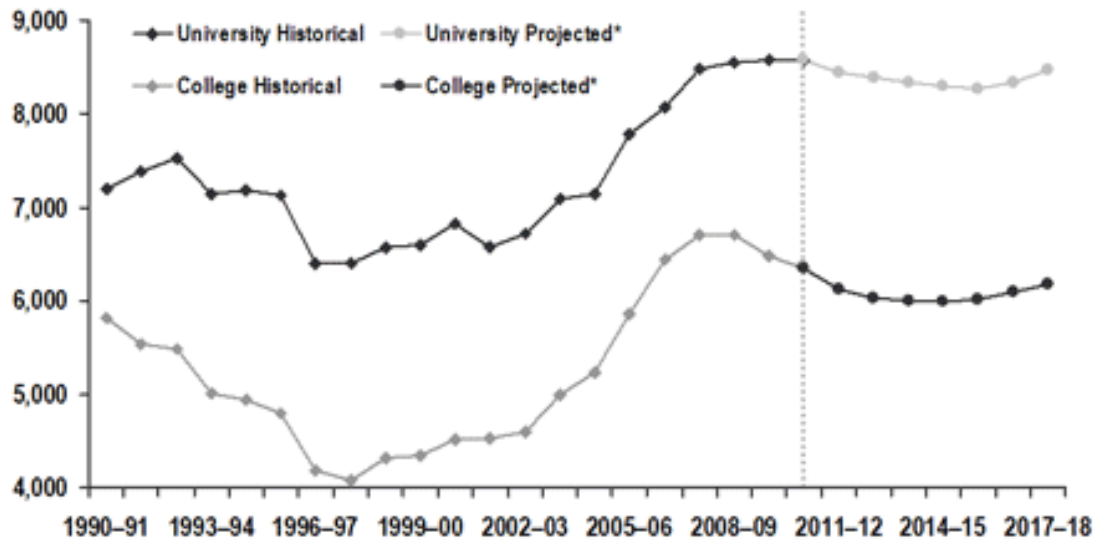
Fiscal Context

- Provincial deficit~\$16 billion, federal~\$30 billion
- MTCU announced enrolment expansion at undergraduate (35,000) and graduate (6000) levels – no allocation details yet
- Waiting for a new provincial tuition framework
- Significant need for capital funding: Ontario deficit adds risk, currently no borrowing room available

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.

Drummond Report....

- Recommends 1.5% per annum increase
- Sector growth projected at 1.7%
- Impact on 2012-13 expected to be minimal; adequate funds available when taking into account unspent graduate funding for 2011-12
- May have to stretch graduate expansion over a longer term

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 still unclear

ENROLMENT & REVENUE

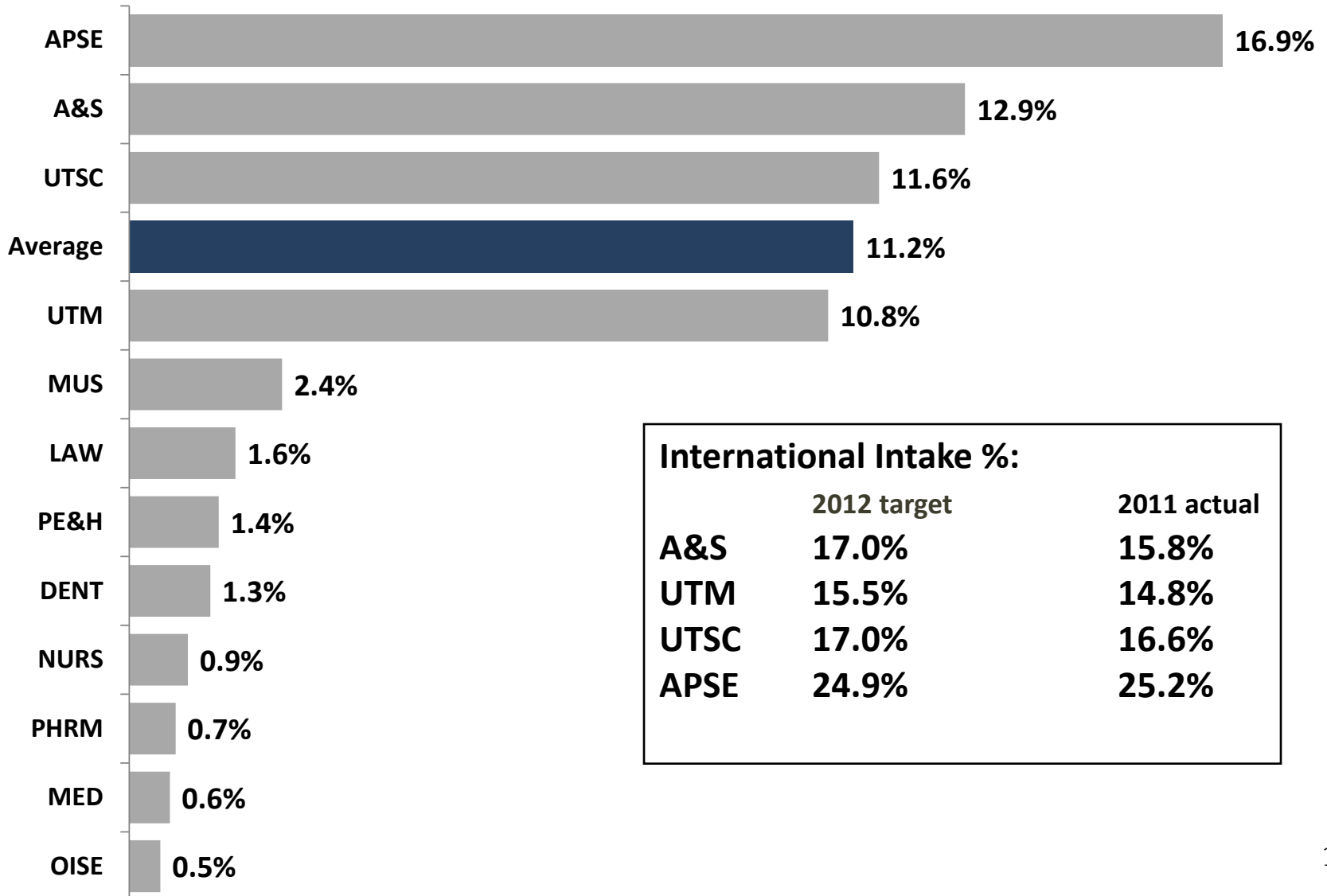
Enrolment plans

- 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

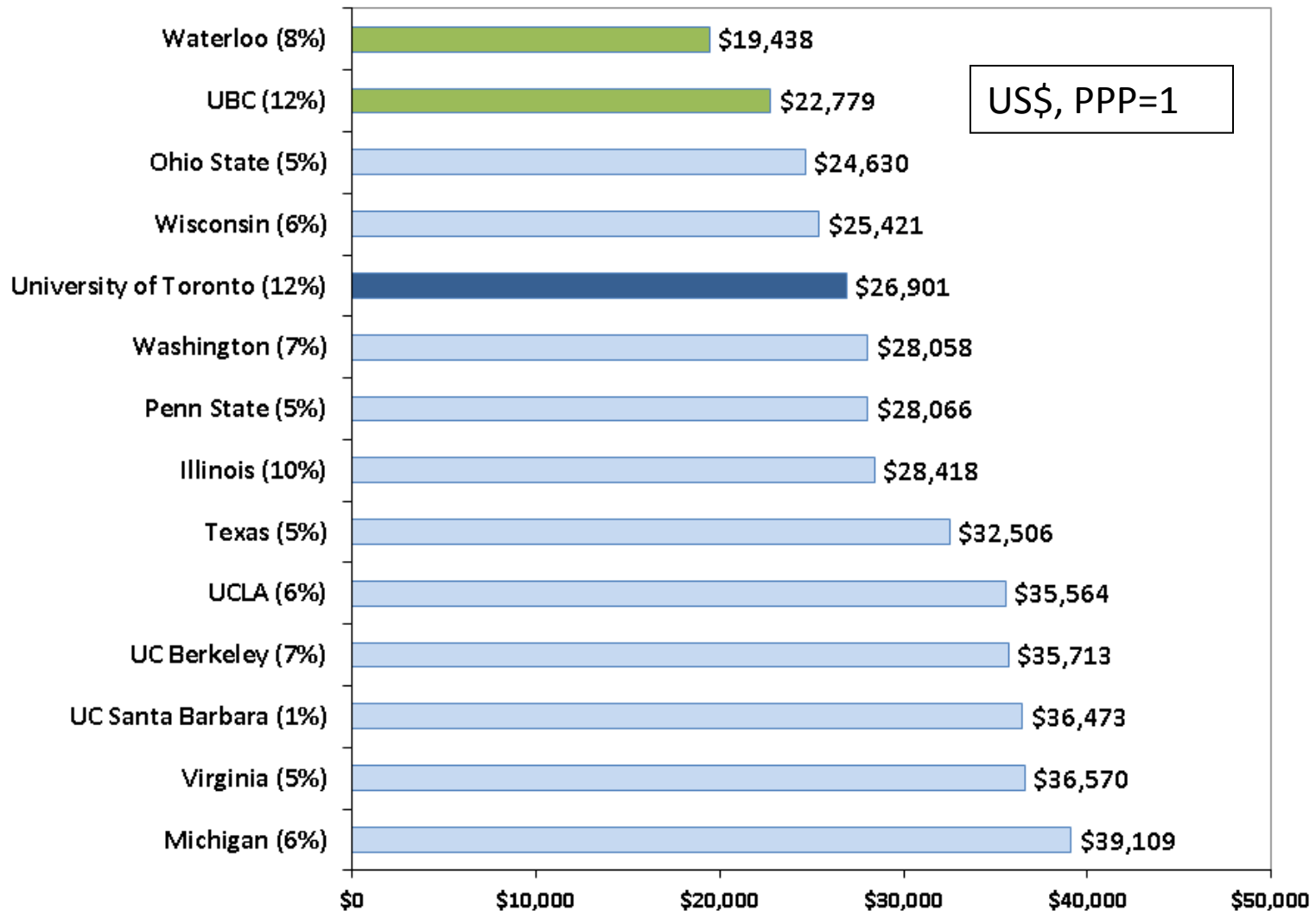
Summary of Undergraduate Enrolment Plans

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

International UG FTE as % of Total



Arts and Science International UG Tuition Fee 2011-12



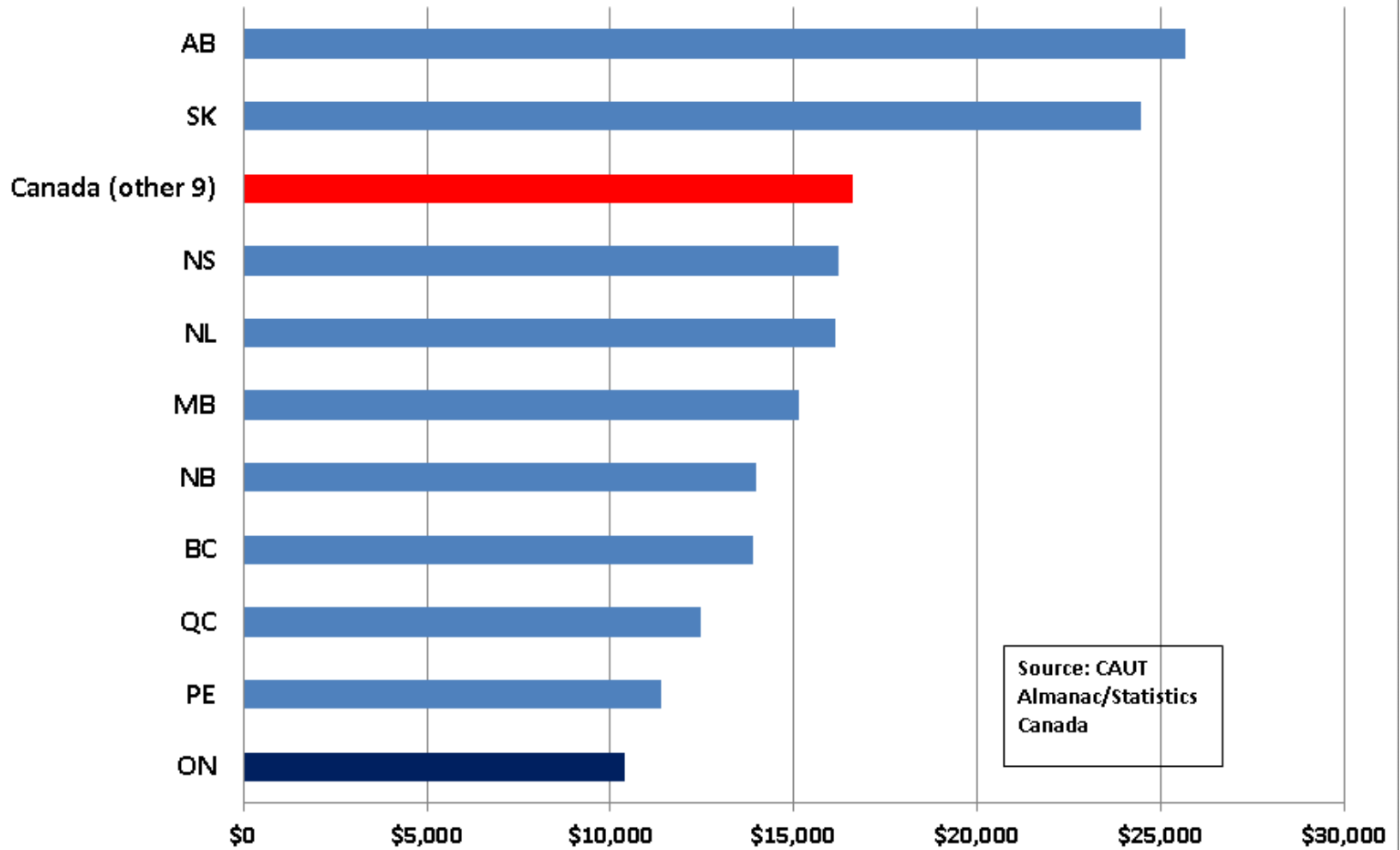
University Funding in the UK

- Institutional grants cut 41%
- Tuition maximum increased from £3500 to £9000
- Average tuition for 2011-2 across all UK universities is £8354 (\$13,154 \$CDN)
- 150% increase from prior year
- Application statistics for 2012-13: Down 3.6% for 18 year-old applicants (8300 students)

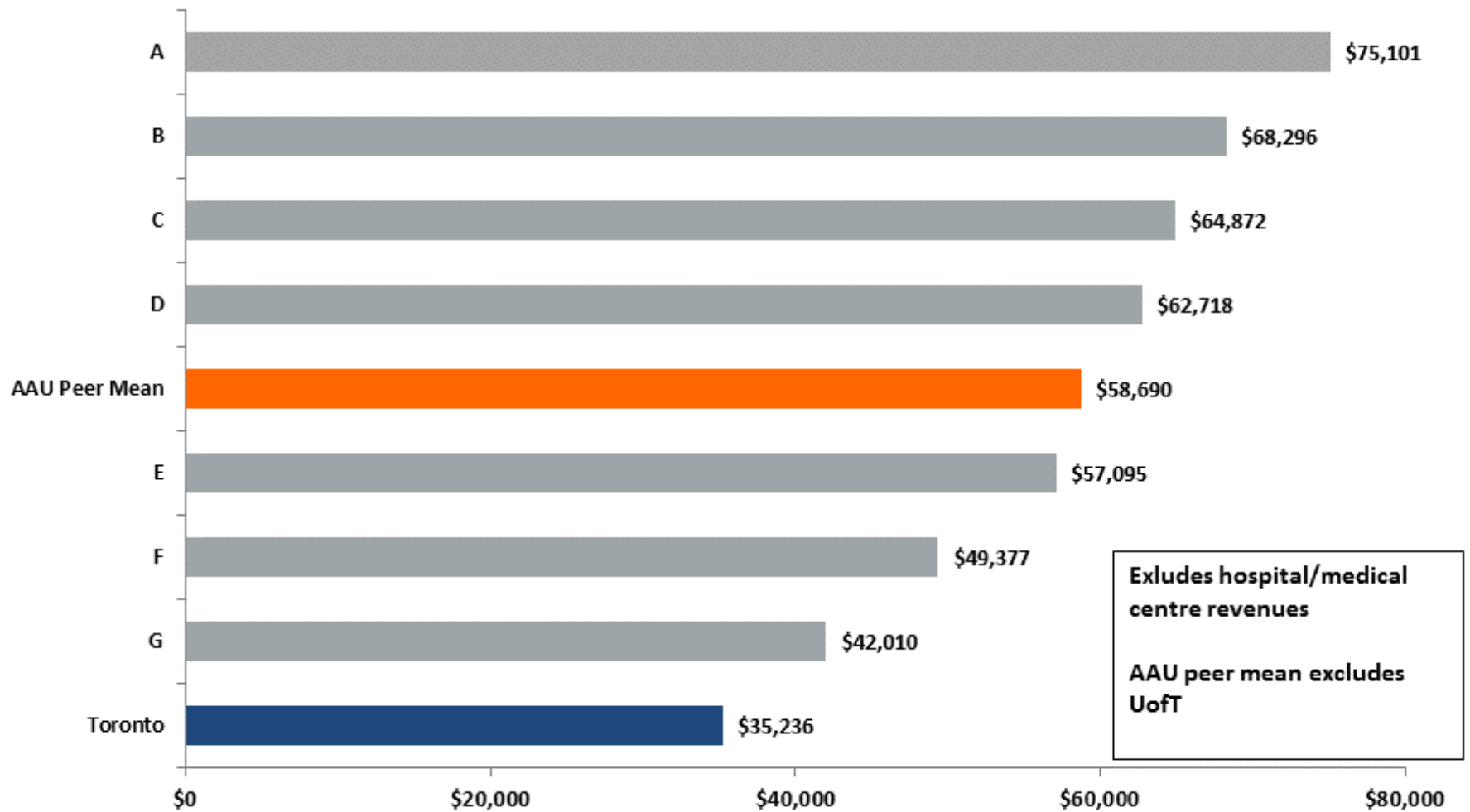
Summary of Graduate Enrolment Plans

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

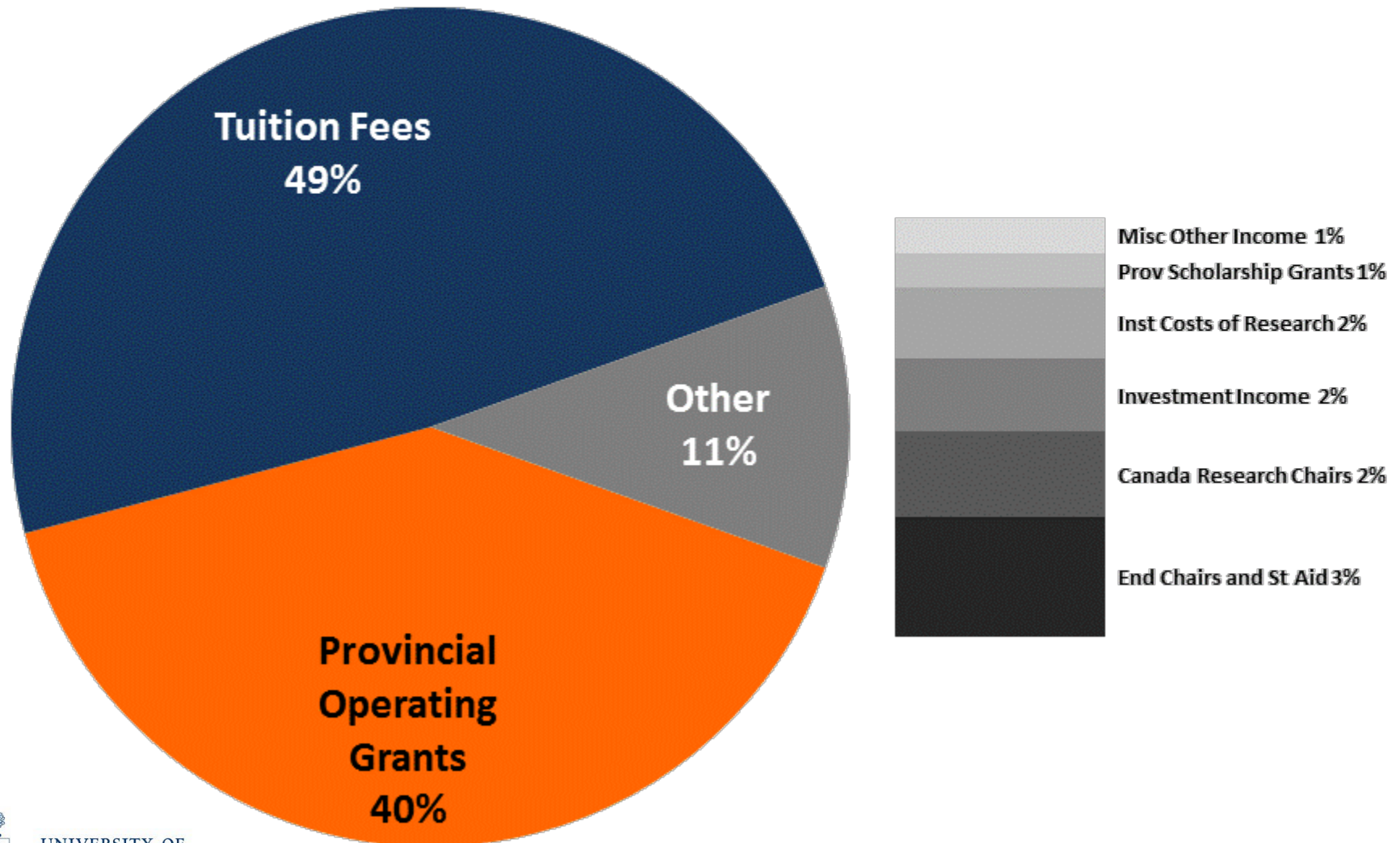
Provincial Government Transfers to Colleges and Universities per Student FTE 2008-09



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



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



Incremental Revenue 2012-13 \$100M

(excluding divisional income)

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

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

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

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

Source of tuition revenue increase	\$M
Higher enrolment and previously approved tuition increases flowing through to upper years	42.2
International tuition changes (avg. 6.35%)	21.5
Domestic tuition changes (avg. 4.3%)*	14.4
Total Increase	81.4

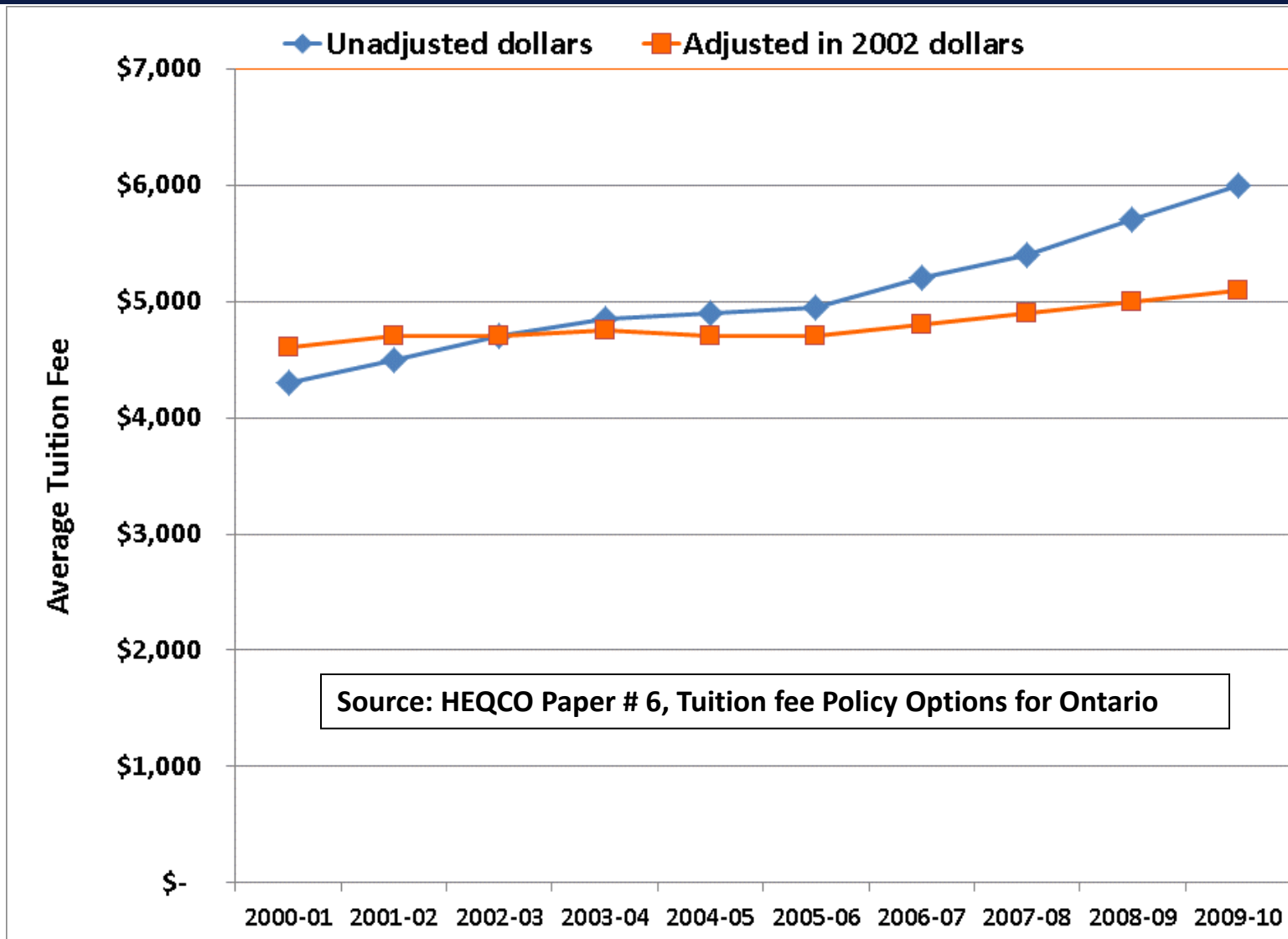
*** 92% of domestic students will see an increase between 4% and 4.5%**

Provincial Tuition Framework

If Framework were to mandate an overall cap at 3%

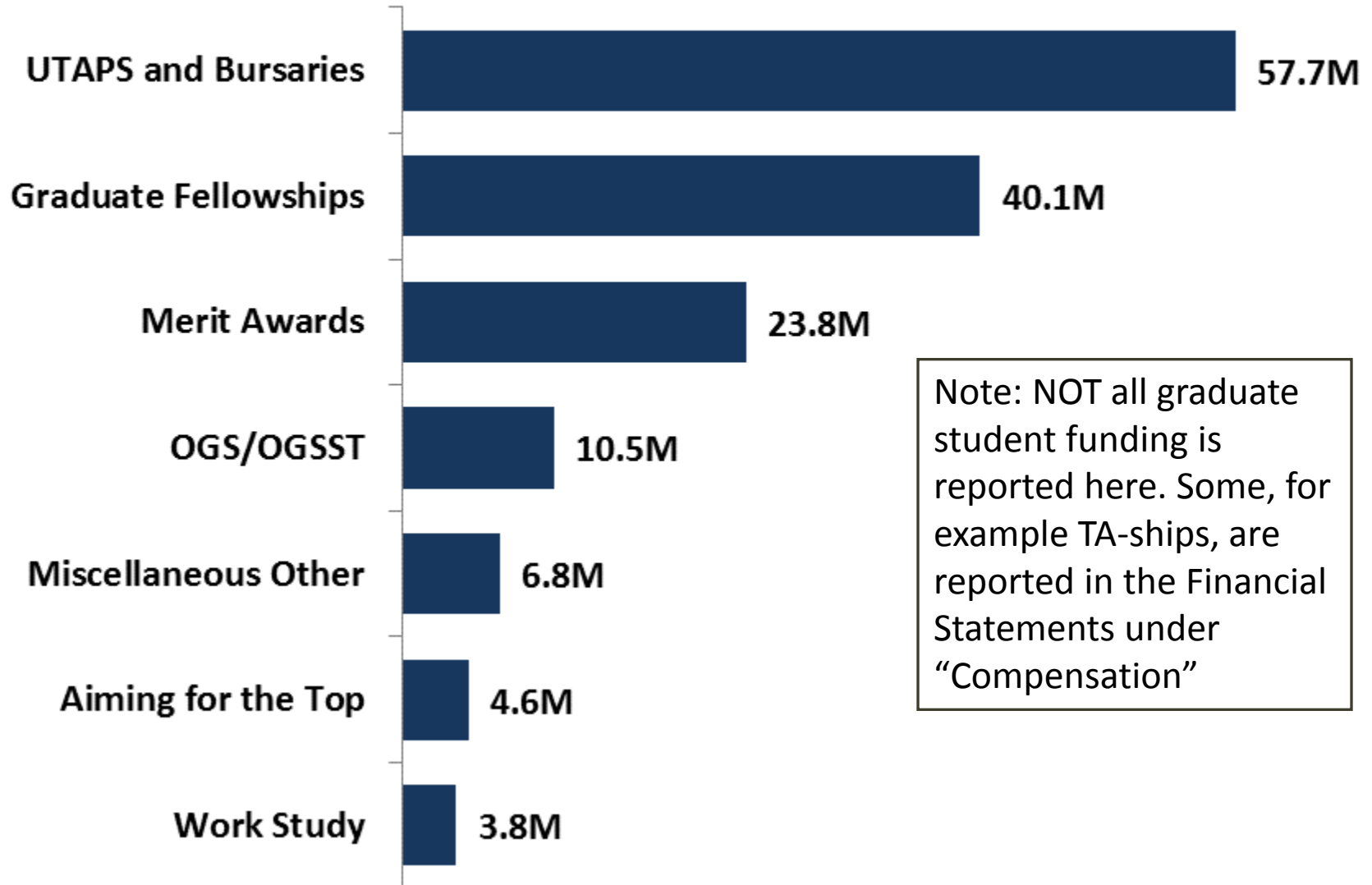
→ would mean loss of **\$68M** in base and **\$181M** cumulatively over the planning period

Ontario University Tuition 2000 to 2009



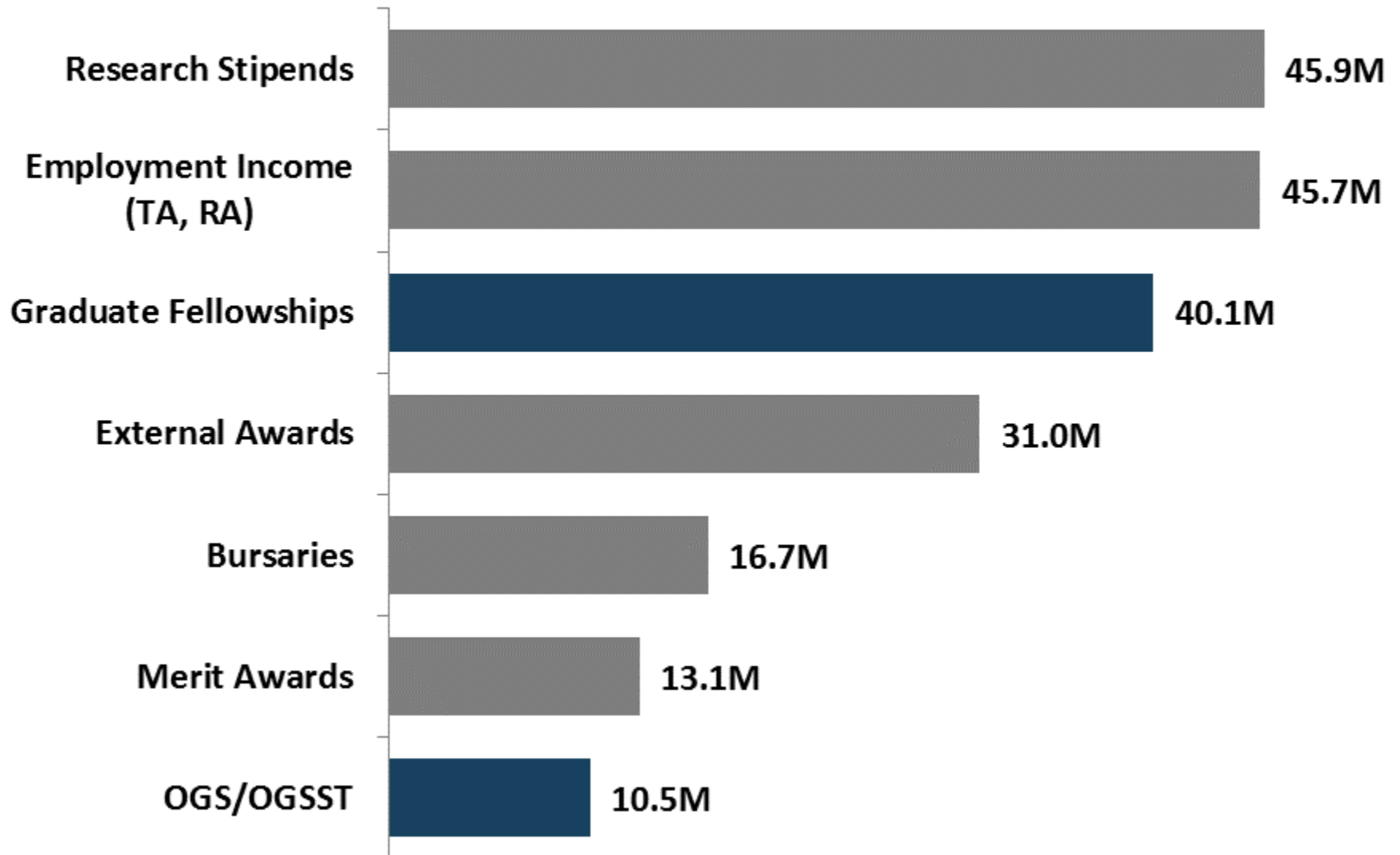
STUDENT AID

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



Sources of Financial Support for Graduate Students 2010-2011

Total=\$202.9M



Ontario Tuition Grant

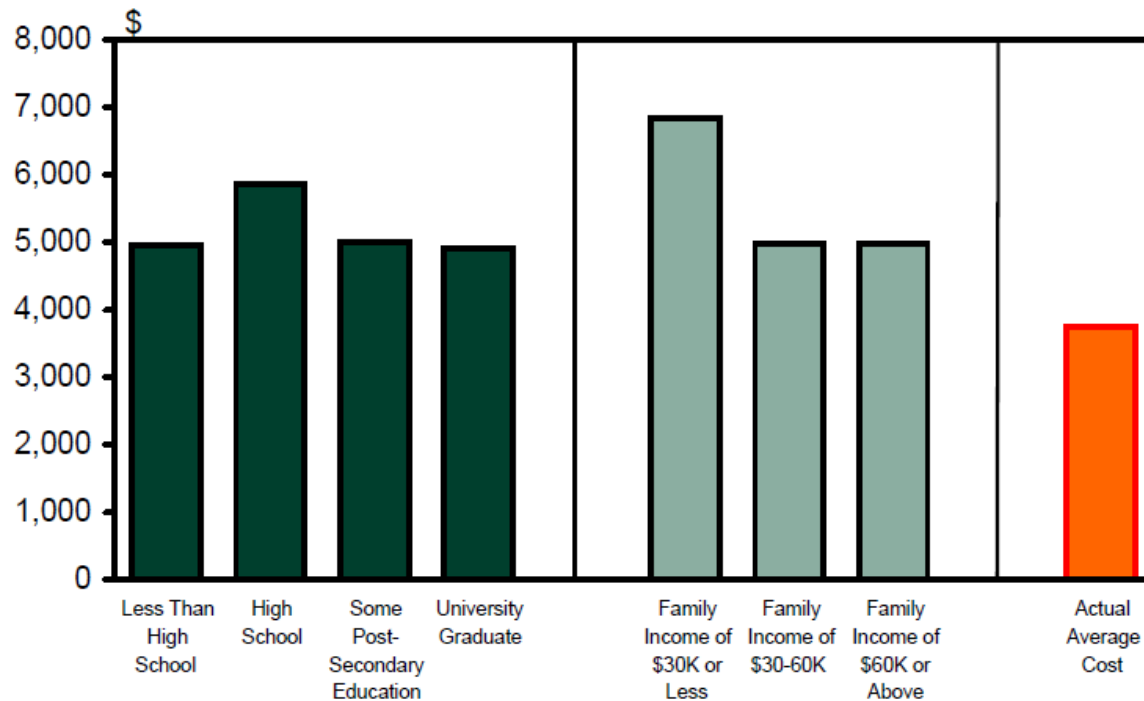
\$1600 OTG announced by Province

- 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 requirements

Student perceptions of tuition

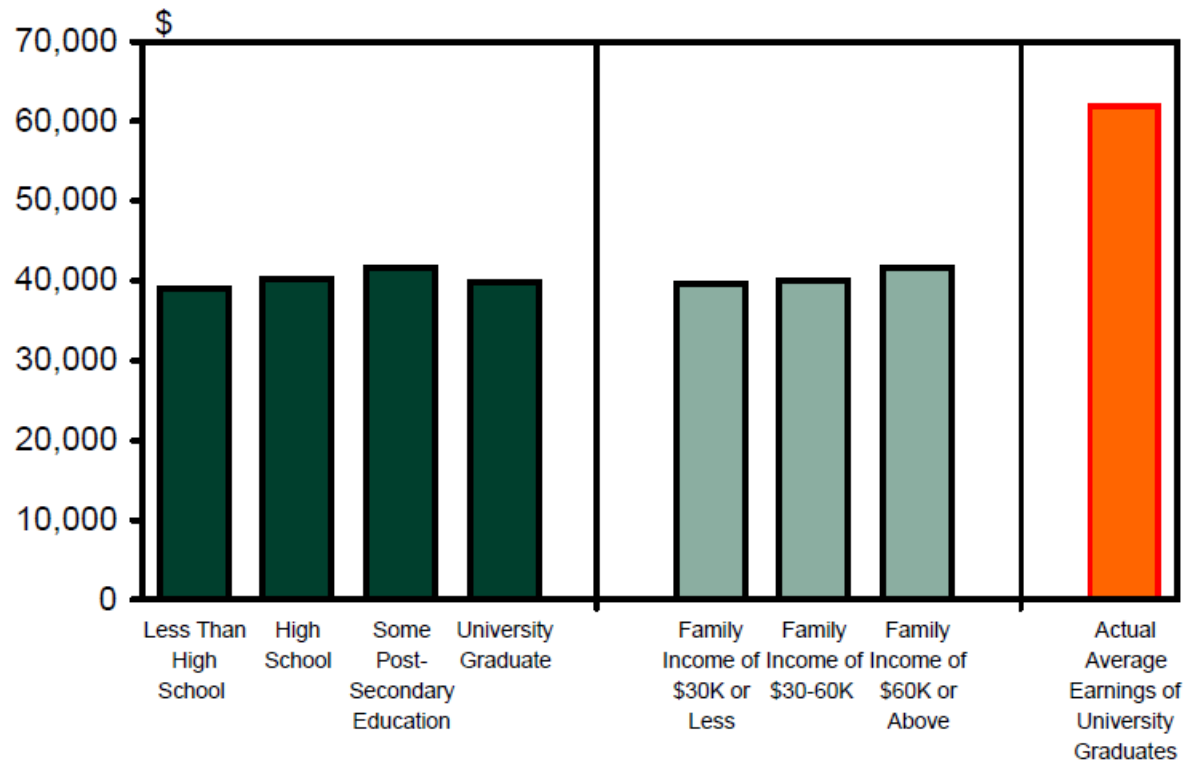
PERCEPTIONS OF MEDIAN AVERAGE COST OF UNDERGRADUATE TUITION FEES, BY EDUCATION AND INCOME, 2003



Source: Canada Millennium Scholarship Foundation.

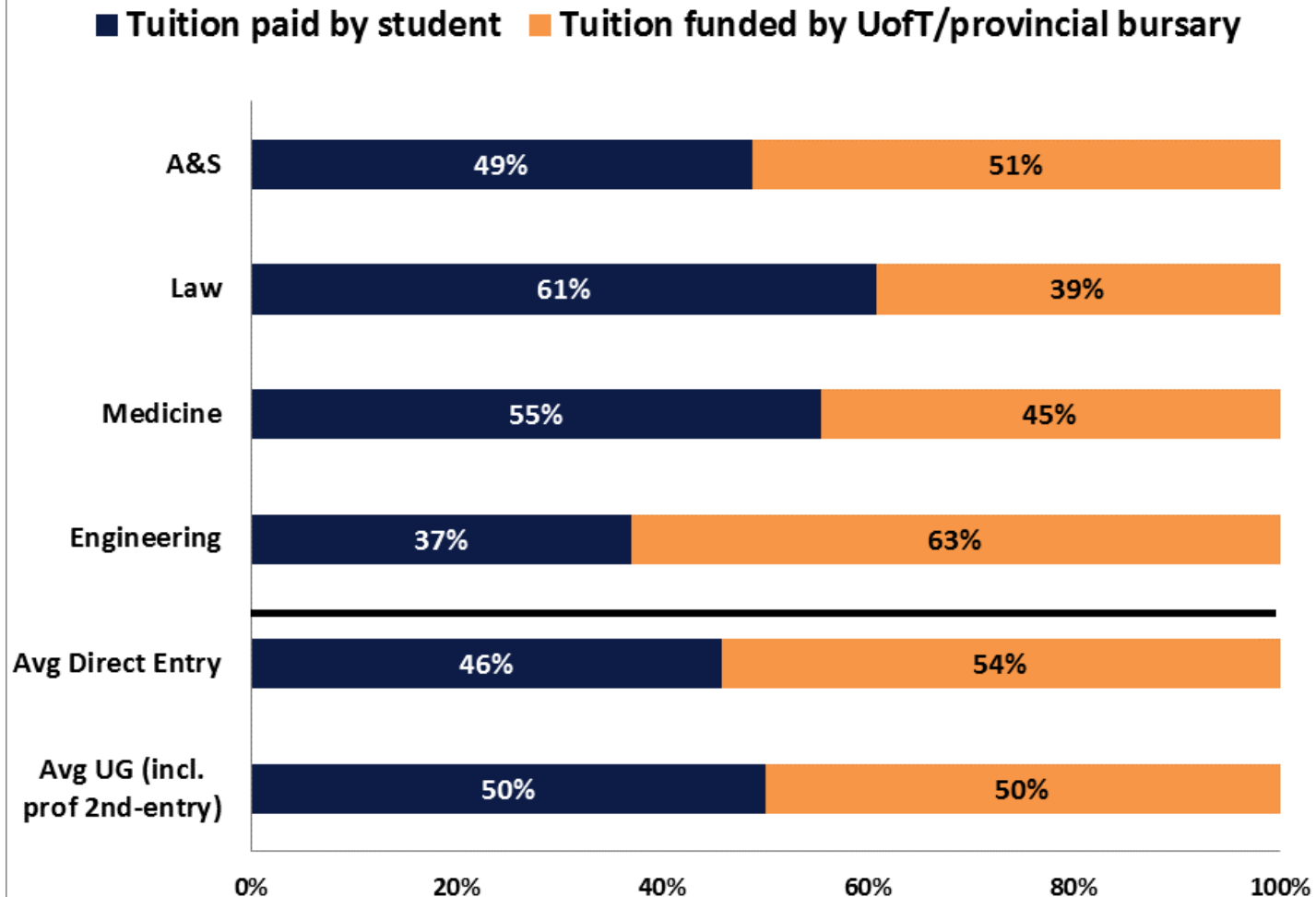
Student perceptions of income

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



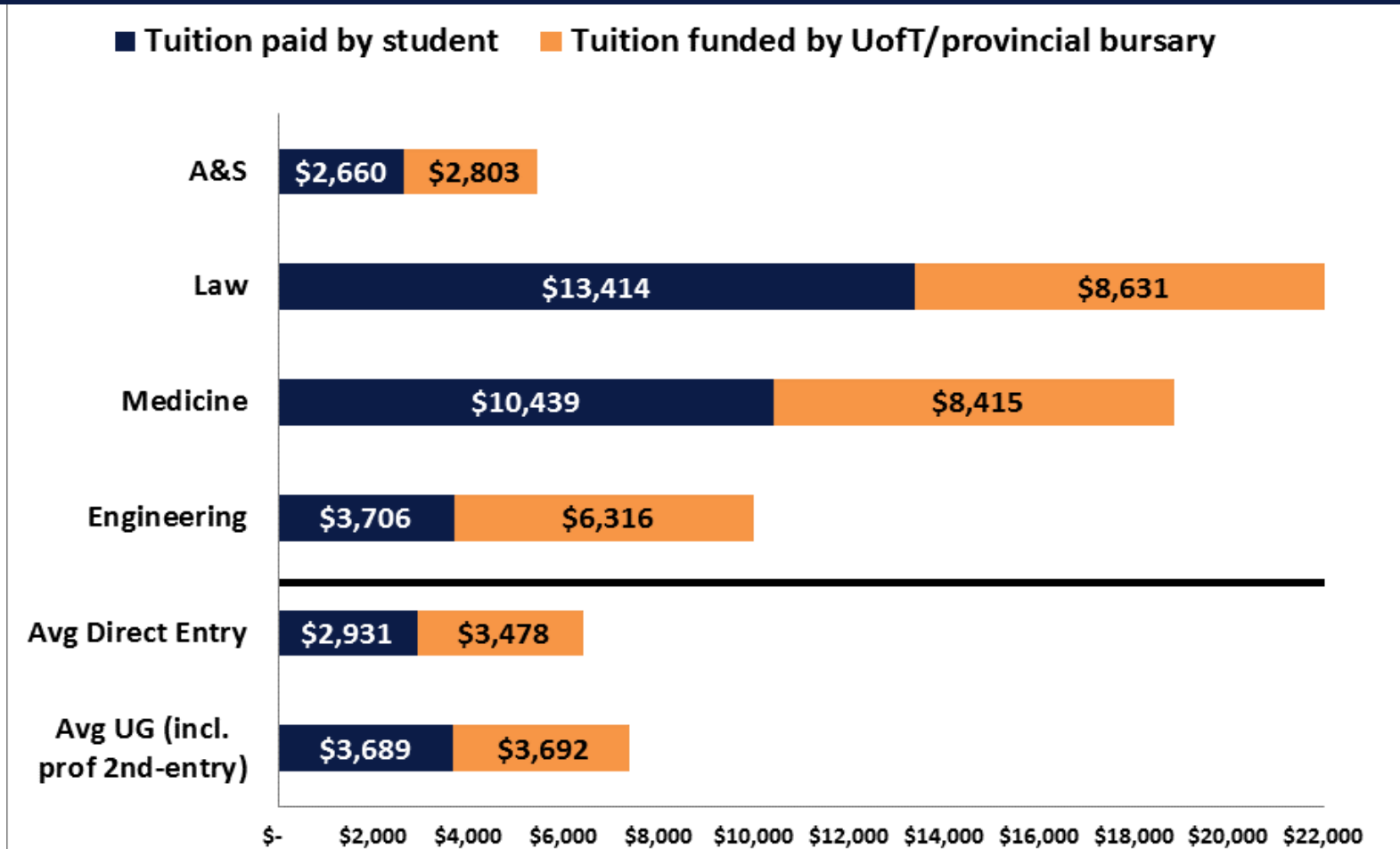
Source: Canada Millennium Scholarship Foundation.

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

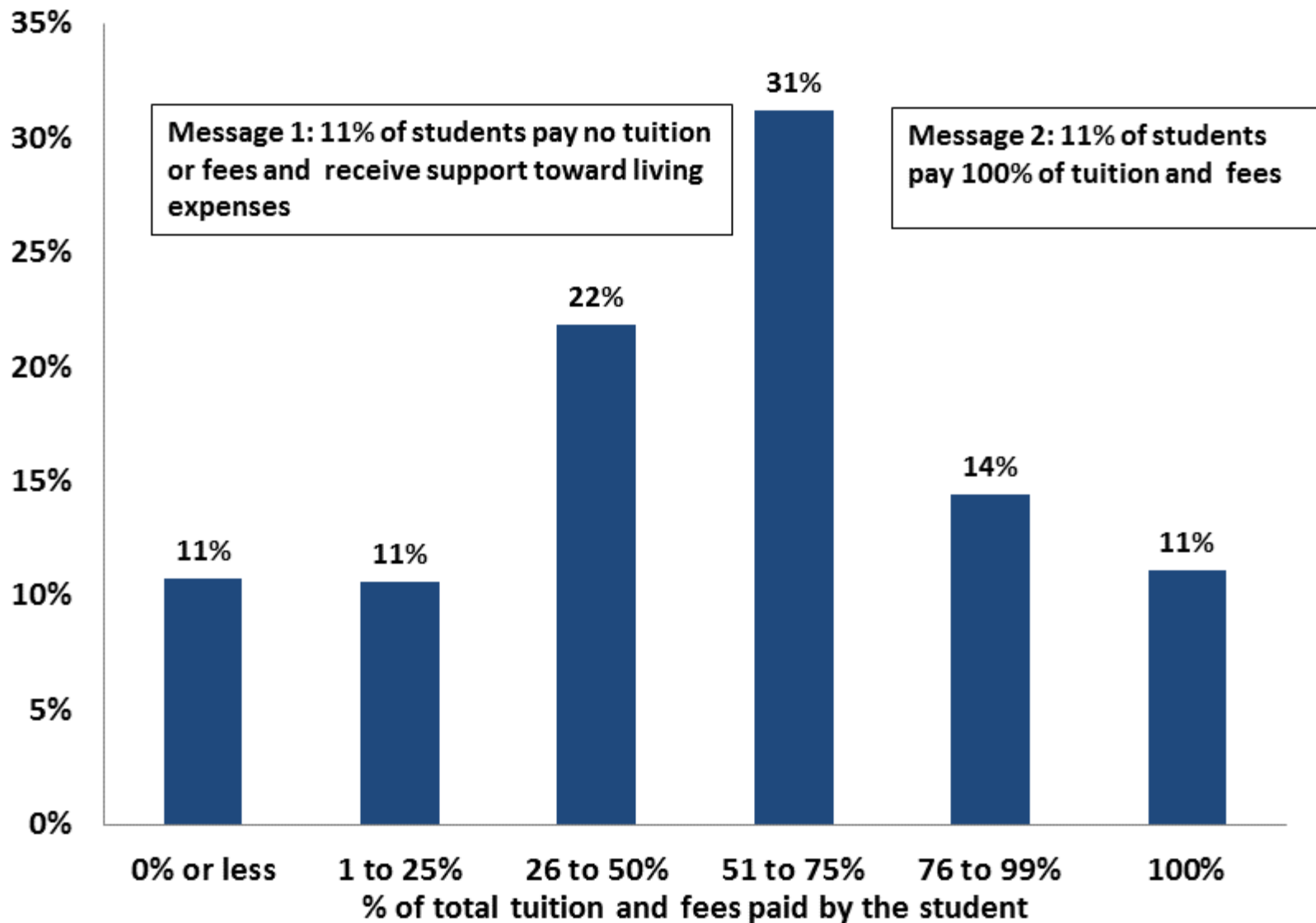


50%

What do OSAP students pay? (2009-10)



Distribution of Net Tuition
(defined as tuition+ fees net of UofT and external bursaries)
Direct Entry Students Receiving OSAP 2009



Other Revenue

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

Incremental revenue over the last 3 years

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

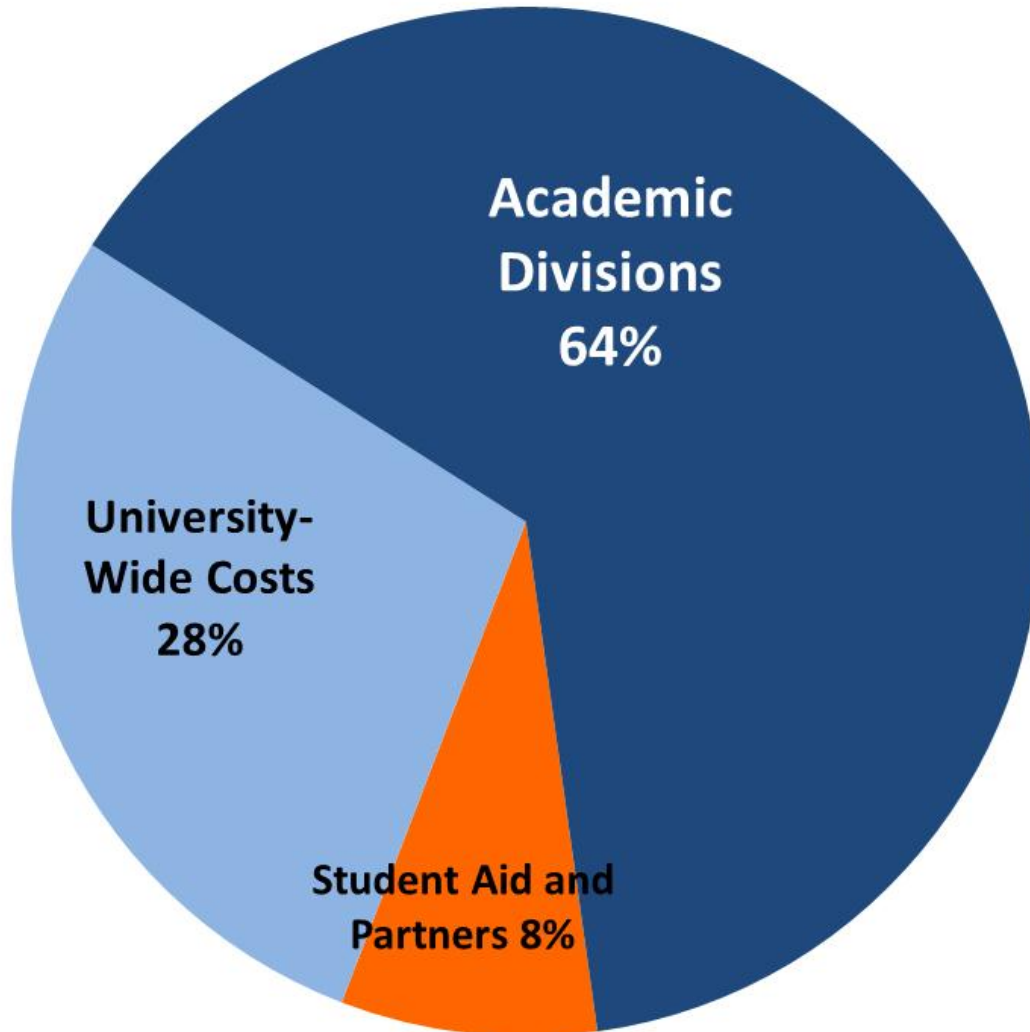
Revenue Source	3-Year Average Increase (Including Volume)	
Grants	\$ 18.1M	3.0%
Tuition (enr. growth + fees)	57.2M	10.2%
Endowment	(0.2M)	(0.5%)
Other	2.7M	2.3%
Total revenue	\$ 77.8M	5.9%

Additional students, faculty and staff over the last 3 years

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

EXPENSES

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



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

Academic Divisions

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

University Fund Allocations

- **Fund 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 funds**
 - Support for divisions with structural deficits while they transition

Shared Services Reviews

- Service areas prepare multi-year revenue and expense projections
- President chairs a committee (DAC) → includes Deans and Provost
- Funding decisions made by the President, with advice from committee, based on budget constraints and institutional priorities

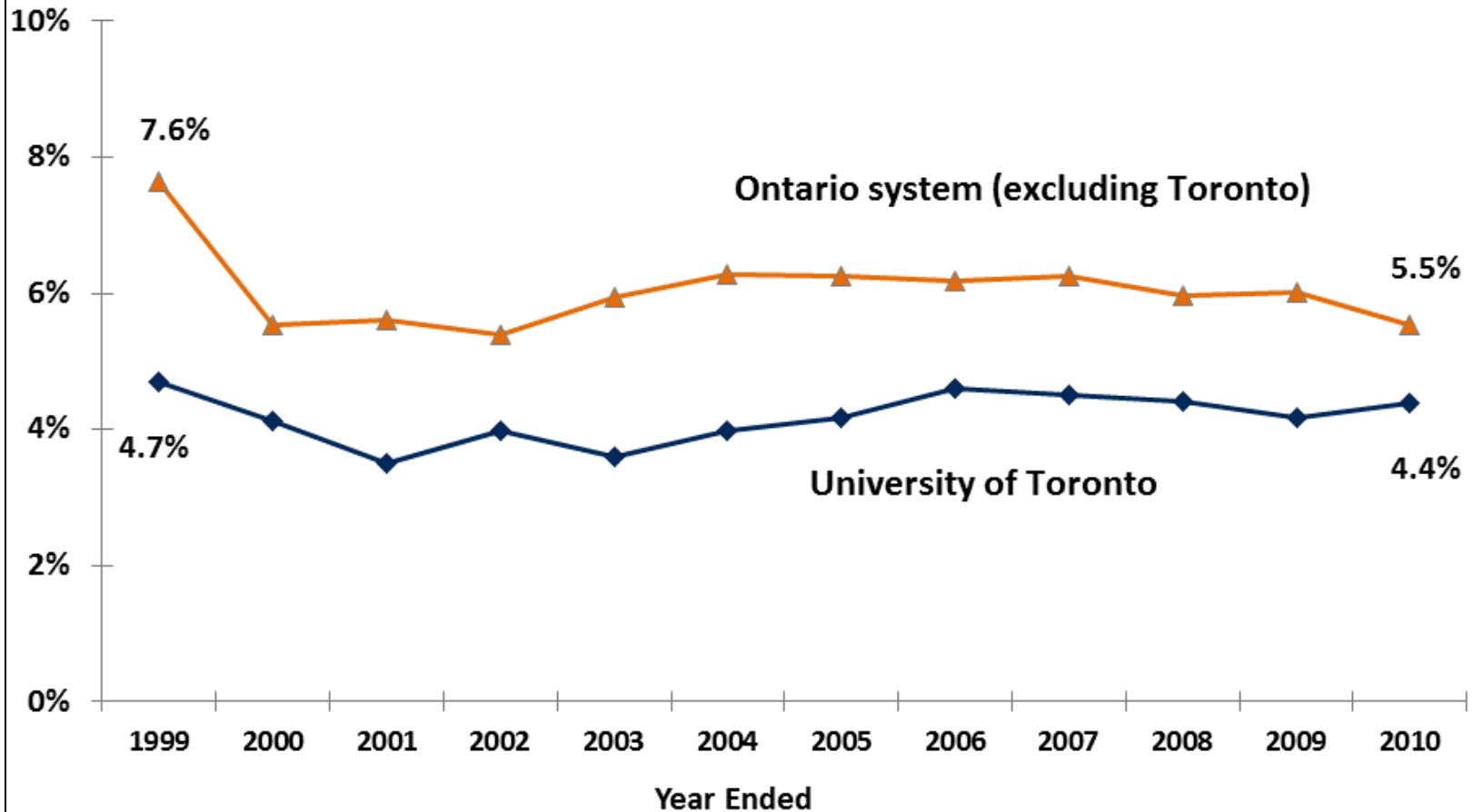
University-wide Expenses

- 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.

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%

Central Administrative Costs as a Percentage of Operating Expenditures



Source: COU Financial Report of Ontario Universities

Pension Problem

- Estimated solvency deficit ~ \$1billion (actuarial valuation filed July 2011, we have been accepted to Stage 1 of the temporary solvency relief program)
- Based on certain conditions/metrics, government may approve plan to amortize deficit over 15 years
- **Better case scenario: \$97M per year (Stage 2 acceptance)**
- **Worse case scenario: \$200M per year (no relief)**

Pension Strategy

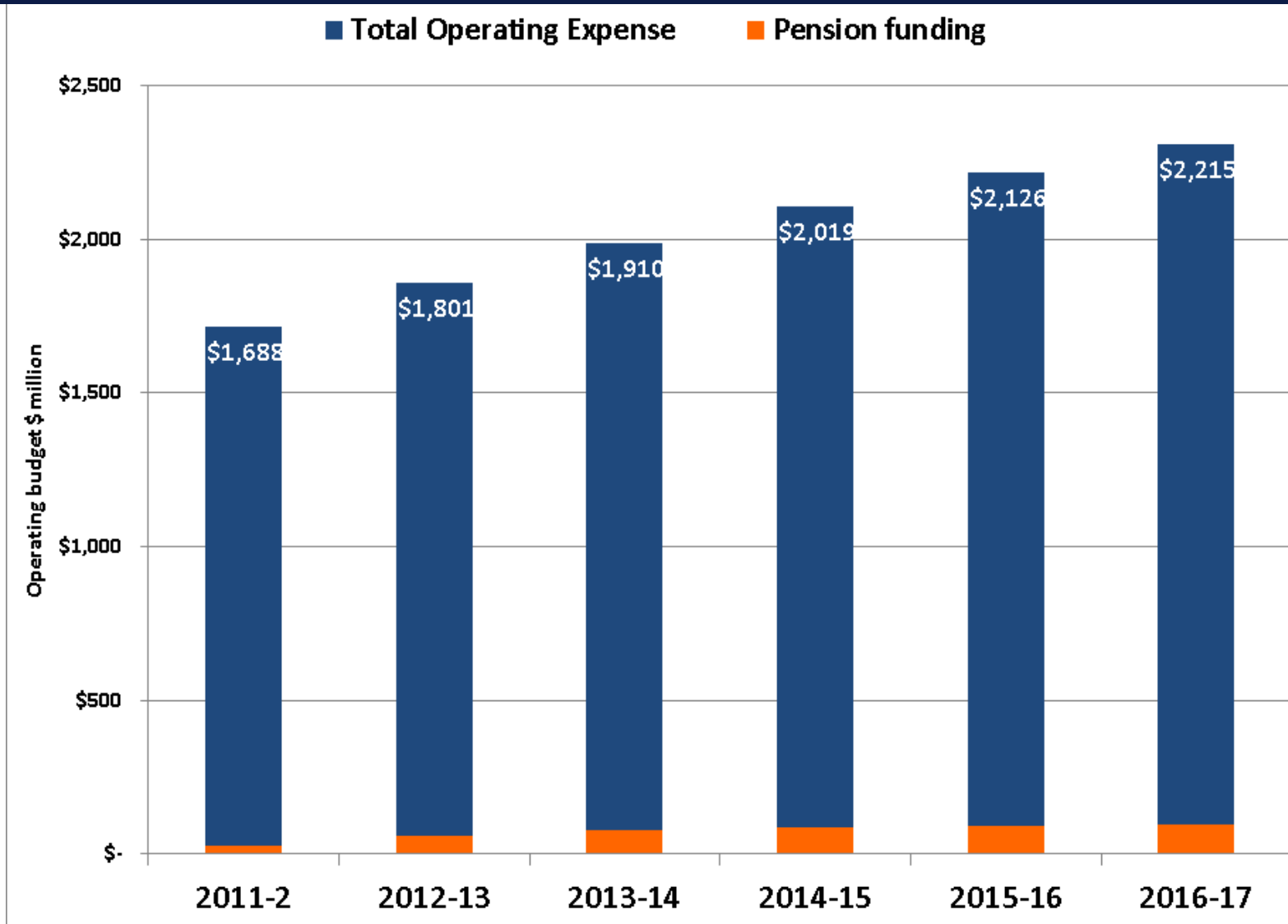
- \$200M payment is not a viable option
- Seek government approval for extended repayment through Stage 1 (ACCEPTED) and 2 solvency relief, which allow us to extend funding over a longer period of 15 years
- Key metric for solvency funding relief is increased employee contributions for current service 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

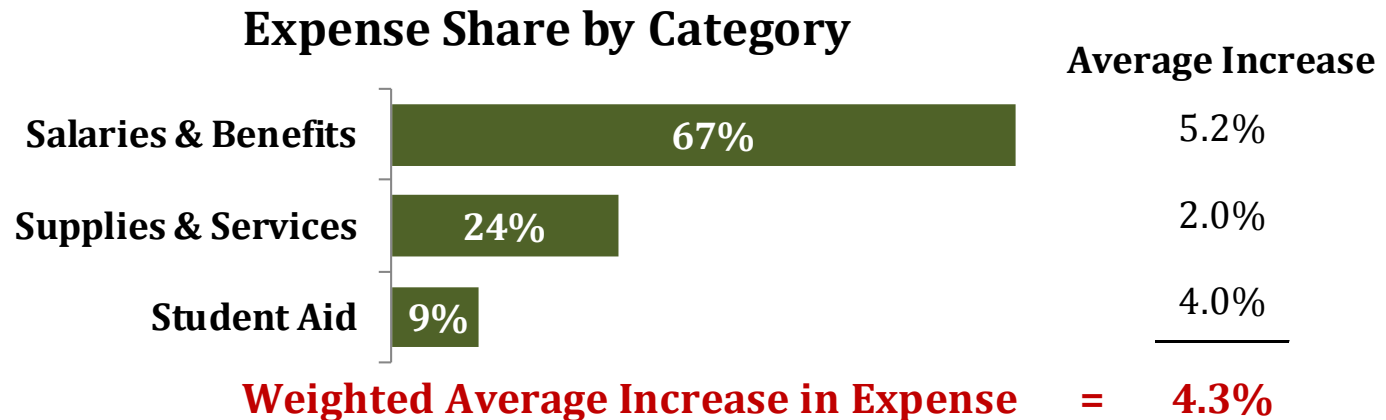
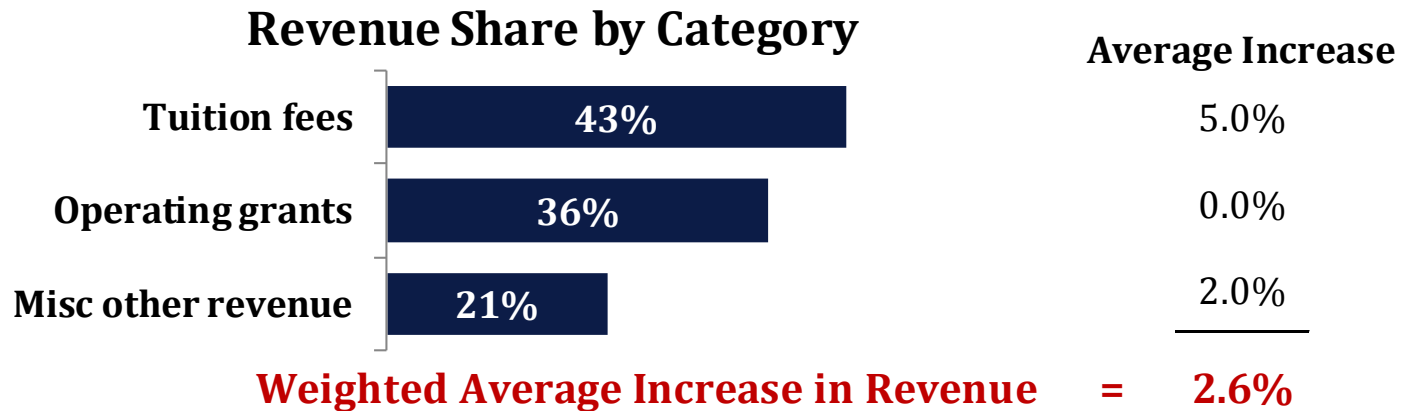
Annual total expense of ~\$97M to 2030

Pension expense remains at 4% of total operating expense 2013-14 to 2016-17

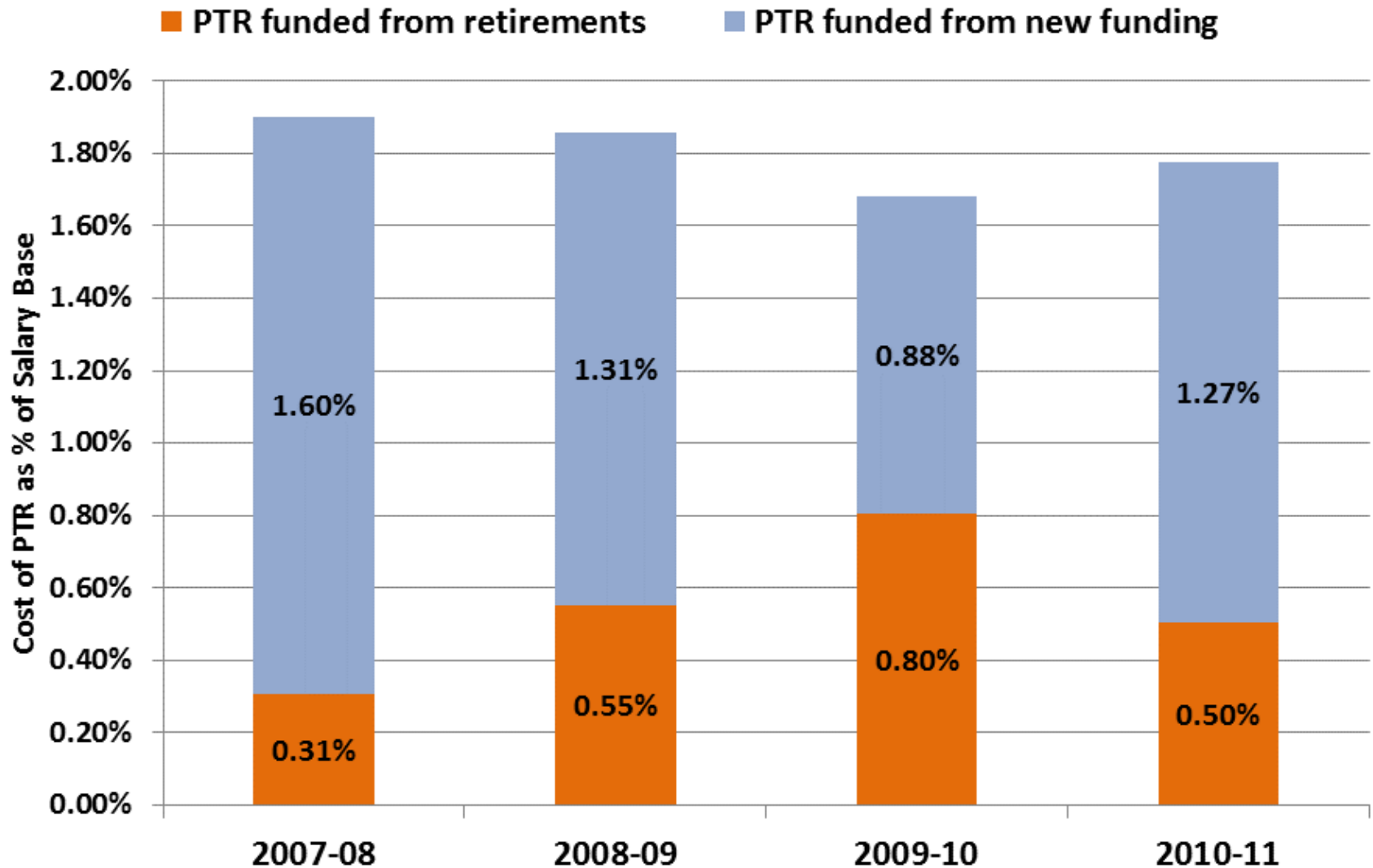


STRUCTURAL BUDGET CHALLENGE

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