UNIVERSITY OF TORONTO

OFFICE OF THE GOVERNING COUNCIL

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

TO: Governing Council

SPONSOR: Professor Cheryl Regehr, Vice-President & Provost
CONTACT INFO: cheryl.regehr@utoronto.ca

PRESENTER: Professor Cheryl Regehr, Vice-President & Provost
CONTACT INFO: cheryl.regehr@utoronto.ca

DATE: March 26, 2020 for April 2, 2020

AGENDA ITEM: 3(iv.)

ITEM IDENTIFICATION:

Budget Report 2020-21 and Long Range Budget Guidelines 2020-21 to 2024-25.

JURISDICTIONAL INFORMATION:

Excerpt from the Terms of Reference for the Planning and Budget Committee:

4.3.2. The annual budget is considered by the Committee for recommendation to the Academic Board. [Once the budget is recommended by the Academic Board, the concurrence of the Business Board is sought in regard to fiscal soundness before it is forwarded to the Governing Council.]

GOVERNANCE PATH:

1. Planning and Budget Committee [for recommendation] (February 25, 2020)
2. UTM Campus Council [for information] (March 9, 2020)
3. UTSC Campus Council [for information] (March 10, 2020)
4. Academic Board [for recommendation] (March 12, 2020)
5. Business Board [for concurrence with the recommendation of the Academic Board] (March 18, 2020)
6. Executive Committee [for endorsement and forwarding] (March 24, 2020)
7. **Governing Council [for approval] (April 2, 2020)**

PREVIOUS ACTION TAKEN:

The Budget Report 2019-20 and Long Range Budget Guidelines 2019-20 to 2023-24 were approved by the Governing Council at its April 4, 2019 meeting.

HIGHLIGHTS:

Budget plans continue to be shaped by the University's Three Priorities, the Towards 2030 academic plan, the Provost's five priorities, and other documents. These priorities provide institutional context for divisional academic planning, which in turn leads to investment in specific initiatives and activities throughout the University.

Total budgeted operating revenue for 2020-21 of $2.99 billion is 8.0% higher than the 2019-20 budget. This reflects a freeze in domestic tuition fees, modest changes to domestic enrolment within the ±3% flexibility of the fixed Provincial funding envelope, increasing international enrolment, and a 5.3% average increase in international tuition fees.

Operating revenues are derived primarily (87%) from tuition, other student fees, and provincial operating grants, all of which are 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 $222 million in 2020-21, and growth of $680 million over the planning period.

Total spending for student aid is projected at $258 million for 2020-21, growing to $344 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 divisional plans include hiring of tenure and teaching stream faculty, enhancement of student services, increased experiential learning, work-integrated learning, and international experience opportunities, introduction of several new academic programs, allocations for capital projects, and funding for research stream and professional master's graduate students.

Investments in shared services continue to be held below the overall rate of revenue growth. Priorities over the next few years include investments in technology that will increase efficiency and improve services for faculty and students, funding to sustain the services and collections (primarily electronic) of our world-class library system, and spending on deferred maintenance. Compensation increases are planned within the provincial restraint context. The long range budget continues to include a placeholder for long term pension deficit payments.

Given the 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 8.0% from $2.77 billion in 2019-20 to $ 2.99 billion in 2020-21.

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. Enrolment remains very strong and the University continues on its upward trajectory of attracting excellent domestic and international students.

RECOMMENDATION:

Be It Resolved

THAT the *Budget Report 2020-21 be approved*, and

THAT the *Long Range Budget Guidelines 2020-21 to 2024-25* be approved in principle.

DOCUMENTATION PROVIDED:

Budget Report 2020-21 and Long Range Budget Guidelines 2020-21 to 2024-25 (February 10, 2020)

Budget Report 2020–21

and Long Range Budget Guidelines
2020–21 to 2024–25

February 10, 2020
Planning and Budget Office

UNIVERSITY OF
TORONTO

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Introduction

This report introduces the proposed Long Range Budget Guidelines for the five-year period 2020-21 to 2024-25, including the detailed annual operating budget for fiscal year 2020-21. The proposed operating budget is balanced at the institutional level in each year of the planning period[1].

The Budget Report 2020-21 describes the current strategic context and fiscal environment in which the University operates, and highlights key assumptions that underlie the long-range projections of revenues and expenses.

Budget plans are shaped by the University of Toronto's academic priorities as articulated in the University's Three Priorities, the Towards 2030 academic plan, the Provost's five priorities, and other documents. The University's three priorities – internationalization, engagement with the city-region, and reimagining undergraduate experience – have been the focus of activities such as increased support for international experience and study abroad, investments in experiential learning, and the work of an expert panel on undergraduate student educational experience. Other major priorities include supporting student success and well-being through investments in mental health services; curricular and co-curricular programming that helps students become graduates who will make significant impacts on their communities and the world; and cross-disciplinary research that addresses local and global challenges in areas such as personalized medicine, the impact of new technologies on society, and data sciences. All of these priorities provide institutional context for divisional academic planning, which in turn leads to investment in specific initiatives and activities throughout the University.

This budget represents the culmination of many months of planning and the decisions of many academic and administrative units. Through the annual budget planning process, academic divisions participate in detailed review of revenues and expenses 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.

The University's budget model and planning processes are described in more detail in Appendix A.

Executive Summary: Budget 2020–21

Total budgeted operating revenue for 2020-21 is $2.99 billion. This represents 8.0% year-over-year revenue growth. Enrolment, the primary driver of operating revenues, remains robust and the University continues to attract excellent domestic and international students. Enrolment-related revenues – including student fees and operating grants – are projected to increase by 8.6% to $2.61 billion in 2020-21. This reflects a freeze in domestic tuition fees, modest changes to domestic enrolment within the ±3% flexibility of the fixed Provincial funding envelope, increasing international enrolment, and a 5.3% average increase in international tuition fees.

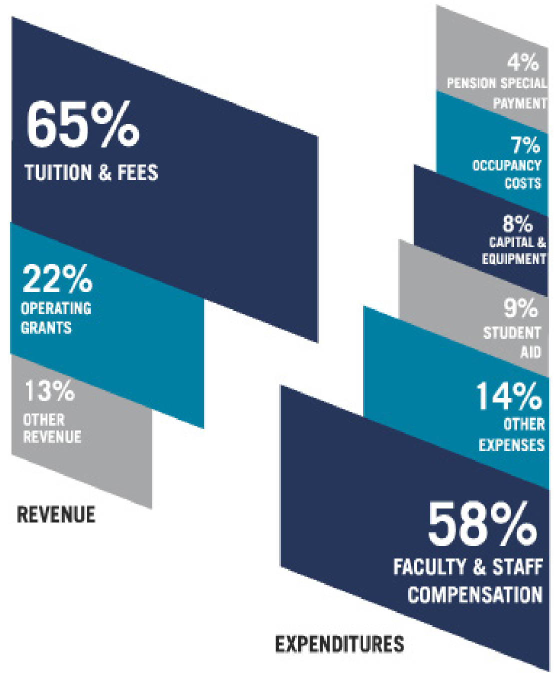
On January 17, 2019, the Ontario government announced a 10% cut to domestic tuition fees beginning in 2019-20, and a freeze at that level for 2020-21. The tuition fee reduction and freeze apply to all domestic students enrolled in programs that are funded via the provincial operating grant, including direct-entry undergraduate, second-entry undergraduate, professional master's, and doctoral stream programs. Tuition paid by international students is unaffected. The announcement represented a reduction in projected domestic fee revenue of

1 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.

Figure 1

Balanced Budget

2020–21
$2.99 Billion



$88 million for 2019-20 and $113 million for 2020-21, relative to the previous budget guidelines that assumed the former tuition framework would remain in place.

The impact of a domestic tuition fee freeze has a differential impact on each division, depending on program mix and divisional revenue sources. Professional programs in health science fields are among those that have experienced the most significant pressure. Adjustments to divisional budgets differ based on local priorities, but include some combination of changes to faculty and staff hiring plans, deferral of capital projects, service reductions, and operating cost efficiencies.

While domestic enrolment and tuition levels remain fixed, divisions continue to see growth in demand from international students. Divisional plans assume that the increase in international admissions seen in Fall 2019 will be maintained for future years, resulting in a total increase of 1,792 FTE across all years of study and all three campuses by the end of the planning period. By 2024-25, divisional plans call for international enrolment of approximately 28% of total undergraduates. International tuition fee levels differ by program, and are projected to increase by an average of 5.3% in 2020-21.

Divisions continue to collaborate on a strategy to diversify the international student population. Fall 2019 saw further progress in expanding enrolment from priority regions such as India (+115% over Fall 2016), but there remains significant work to be done to ensure that international students more closely reflect the University's wide range of global partnerships.

To that end, direct entry undergraduate divisions have committed to a significant new investment in scholarships for international students from diverse global regions. Divisions will earmark up to 6% of total international undergraduate tuition revenue to create scholarships to reduce the cost of tuition for top international applicants from around the world. The investment will be phased in beginning with the incoming class in Fall 2020, growing from $14.7 million in 2020-21 to $75.8 million by 2024-25. Each division will design its own award program based on diverse criteria including merit, financial need, priority regions for diversification, and intended program of study.

Over the last year, senior institutional and divisional leaders engaged in extensive discussions regarding the University's ability to re-deploy resources to meet institutional priorities, including: funding for high-impact, cross-divisional initiatives; the timely pursuit of other institution-wide priorities; and support for academic divisions with less access to key revenue levers or economies of scale in expenditures. Through these discussions, consensus emerged on several changes: 1) increasing the size of the University Fund; 2) identifying short- and medium-term sources of one-time funding to support major strategic initiatives; and 3) employing operating reserves to enhance the University's financial situation, improve its capital infrastructure, and ultimately support its research and teaching missions.

From these additional resources, the Provost has allocated funding for several high priority activities that support the success and well-being of students. These activities include: a redesign of the University's mental health services as recommended by the Presidential and Provostial Task Force on Student Mental Health[2] ; the creation of a new Centre for Graduate Mentorship and Supervision to enhance the quality of mentorship and supervision of graduate students; an increase in staffing to support the unique needs of international students; support for divisions to facilitate and grow experiential learning opportunities; funding for the Graduate Centre for Professional Development to provide opportunities for graduate students to explore careers and develop transferable skills beyond those conventionally learned within their disciplinary programs; and additional supports for study abroad including the safety of students as they explore international learning opportunities.

In addition to these institutional priorities, the University Fund provides funding to ensure all divisions are able to address basic inflationary cost pressures – bringing all divisions up to a minimum budget increase of 3%. Additional funding will be allocated for infrastructure costs related to the extraordinary costs of building and maintaining teaching facilities, clinics and labs, and to address the growing indirect costs of research in divisions with significant growth in research output over the last several years.

Budget priorities in academic divisions include hiring of tenure and teaching stream faculty; strengthening commitments to equity and diversity in faculty hiring and student recruitment; enhancing student services; capital investments in teaching and research infrastructure; and expanding experiential learning opportunities.

Investments in shared services, including the cost of compensation increases, continue to be held below the overall rate of revenue growth. Priorities over the next few years include investments in technology that will increase efficiency and improve services for faculty and students, funding to sustain the services and collections (primarily electronic) of the University's world-class library system, spending on deferred maintenance, and investment in those activities that have potential for new or enhanced revenue growth. Compensation increases are planned within the provincial restraint context. The long range budget continues to include a placeholder for long term pension deficit payments.

2 Presidential & Provostial Task Force on Student Mental Health: Final Report & Recommendations (December 2019) https://www.provost.utoronto.ca/wp-content/uploads/sites/155/2020/01/Presidential-and-Provostial-Task-Force-Final-Report-and-Recommendations-Dec-2019.pdf

1 The Changing Financial Landscape

Provincial Government

According to Ontario's fall economic outlook[3], the government is projecting a deficit of $9.0 billion for 2019-20, which represents a positive variance of $1.3 billion from the deficit target set out in the 2019 Provincial Budget. This change is primarily due to economic growth and higher than planned tax revenues.

The government remains committed to returning the Province to balanced budgets by 2023, in a way that allows for critical infrastructure investments and ensures public services continue to be supported. The University anticipates that spending restraint will impose significant pressure on all provincially-funded sectors.

A New Framework for Student Fees

On January 17, 2019, the Ontario government announced a 10 per cent cut to domestic tuition fees beginning in 2019-20, and a freeze at that level for 2020-21. The tuition fee reduction applies to domestic students enrolled in all programs that are funded via the provincial operating grant, including direct entry undergraduate, second entry and professional master's, and doctoral stream programs. Tuition paid by international students is unaffected. The announcement represents a reduction of $113 million in projected domestic fee revenue for 2020-21 relative to the previous long range budget guidelines that assumed the former tuition framework would remain in place.

At the same time, the Minister of Colleges and Universities announced a new framework for ancillary fees. Changes to the ancillary fee framework allowed students to opt-out of incidental fees that fund some services and activities, while protecting fees that fund mandatory core services and facilities such as athletics, recreation, and health and counselling services. This new provision, called the "Student Choice Initiative" was implemented in Fall 2019. In November 2019, Ontario's Divisional Court struck down this new provision in the ancillary fee framework, finding it inconsistent with universities' autonomous governance. At the time of writing this report, an appeal of this decision is pending. At this time, incidental fees are being assessed for Winter 2020 for all students. For students who opted-out prior to the system suspension on November 25, the University is awaiting the court's decision

Strategic Mandate Agreement

The Ontario post-secondary education system operates under a differentiation policy framework[4]. The framework is operationalized through a series of institutional Strategic Mandate Agreements, which specify the role of each University in the system and how they will build on institutional strengths to drive system-wide objectives and government priorities.

The second Strategic Mandate Agreement[5], covering the period 2017-2020, introduced the concept of performance based funding within the existing Provincial operating grant envelope. The agreement notionally re-directed 10% of operating grant revenue ($65 million for the University of Toronto) to 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. This was a welcome change for the University of Toronto and reflected the University's long-term advocacy for differentiation. Funding in the differentiation envelope was not at risk for the period of SMA2.

Fiscal year 2020-21 will be the first year of the University's third Strategic Mandate Agreement with the Province (SMA3). In the 2019 Ontario Budget, the Government announced that an increased percentage of funding for colleges and universities will be tied to performance outcomes. Under SMA3, performance based funding will gradually rise from 25 per cent of total Provincial operating grants (5.6% of total revenue) in 2020-21 to 60 per cent of operating grants (11.7% of total revenue) by 2024-25.

3 2019 Ontario Economic Outlook and Fiscal Review https://budget.ontario.ca/2019/fallstatement/

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

5 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

Funding will be conditional on achieving performance targets on a series of metrics.

The number of performance indicators will be phased in, from six in 2020-21 to 10 in 2024-25. Targets will be established by the Ministry based on previous performance, taking into consideration the variability of performance in recent years. Performance metrics include six measures of graduate skills and job outcomes, and four measures of economic and community impact. They include:

- Graduate Employment Rate in a Related Field
- Enrolment in Areas of Institutional Strength/Focus
- Graduation Rate
- Experiential Learning
- Graduate Employment Earnings
- Skills and Competencies
- Community/Local Impact
- Economic Impact
- Research Funding and Capacity: Federal Tri-Agency Funding Secured
- Innovation: Research Revenue from Private Sector Sources

While the Government will determine the indicators and the targets, institutions can decide the distribution of total funding among the metrics, and will be measured against their own past performance, not against other institutions. Specific targets will be finalized by the end of March 2020.

The SMA3 will also set out a multi-year enrolment plan. In response to Ontario's changing demographics, the University and the Province have agreed to hold constant the level of funding for domestic undergraduate enrolment at the University of Toronto over the period of the agreement. Enrolment funding will remain stable through 2024-25 provided the University maintains a five-year average enrolment within ±3% of its enrolment target.

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 Naylor Report recommended a 40% rate as a target for funding of the indirect costs of research. 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 grant.

The Federal Budget 2018 included significant new investments in research, including $235 million in new annual granting council funding, as well as $58.8 million for indirect costs via the Research Support Fund — a marginal indirect cost rate of 25%. Federal Budget 2018 also included a significant new investment in the Canada Research Chairs program. The Government expects the granting councils to target new funding to early-career researchers whose diversity better represents Canada's population, which could result in up to 250 additional Chairs for early career researchers by 2020–21. While the value of these Chairs does not entirely cover salary and benefit costs, they make an important contribution to the University's operating budget and have a significant impact on the University's ability to recruit and retain outstanding scholars.

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,

Figure 2

Four Corners: Developing a New Source of Revenue

CURRENT PROJECTS

- SCHWARTZ REISMAN INNOVATION CENTRE
- SPADINA SUSSEX RESIDENCE
- UTSC RESIDENCE
- SITE ONE GATEWAY PROJECT

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.

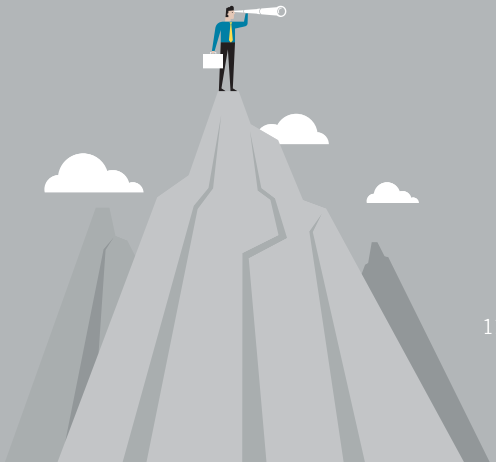
Alternative Funding Sources and the Four Corners Strategy

The University is facing increasing financial pressure, with a declining portion of operating revenues coming from provincial operating grants and constrained tuition and enrolment frameworks. The University's commitment to being an internationally significant research university requires creative solutions to fund its mission and aspirations. In Fall 2017, the President and Provost established an advisory group to consider how the University might broaden its funding sources to provide it with a strong financial basis going forward.

In the spring of 2019, the advisory group issued its final report[6]. The group articulated several potential sources of revenue-generation that take advantage of some of the University's key strengths: its capacity to create and disseminate knowledge, its real estate holdings and physical infrastructure, and its significant financial capital. Each of the proposed strategies is underpinned by overarching principles that are committed to protecting the University's reputation, building a pipeline of new ideas, increasing physical capacity and financial flexibility at the institution-level to support divisional collaboration, and ensuring transparent incentives and risk assessment for alternative funding sources.

Concurrent with the work of the Advisory Group, the University began a planning exercise to consider how it might leverage its significant real estate assets to not only develop amenities to support the academic mission, but to grow the portion of the University's operating budget from "other" revenue. The end result of this planning exercise was the adoption of the Four Corners Strategy, which sets an ambitious goal of generating $50 million in operating funding per year by 2033 through the development of roughly 3.5 million square feet of new space devoted to campus services, amenities, office and retail spaces. The funding will be invested directly in the research and teaching mission. This new revenue stream is not yet reflected in the long range budget assumptions.

6 Report of the Alternative Funding Sources Advisory Group, April 2019. https://forms.provost.utoronto.ca/afs/



2 Budget Overview

Budget Assumptions: Enrolment and Revenue

Operating revenues are derived primarily (87%) from tuition, other student fees, and provincial operating grants, all of which are 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 $222 million in 2020-21 (8.0% over 2019-20) to total revenue of $2.99 billion, and growth of $680 million over the planning period.

Enrolment

Fall 2019 undergraduate enrolment results were 1,085 FTE above plan, a variance of 1.7% across all three campuses. This reflects the net impact of a positive variance of 1,198 (+7.6%) in international enrolment, offset by a negative variance of 112 (-0.2%) in domestic enrolment versus the 2019-20 budget plan. This positive variance in international enrolment levels includes both a modest adjustment to admission targets across all direct entry divisions, as well as significant improvements in retention rates for in-program international students compared to previous years. 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. The University of Toronto's first-choice applications from Ontario high school students increased by 1.5% relative to January 2019, compared to an average decrease of 2.8% for the other research-intensive Ontario universities (McMaster, Ottawa, Queen's, Waterloo, Western), and an average decrease of 3.7% for all other universities combined. In the non-Ontario high school category, application numbers do not become fully meaningful until later in the spring.

In line with the Strategic Mandate Agreement, domestic undergraduate enrolment will be maintained within the ±3% flexibility of the fixed Provincial funding envelope. Outer year divisional plans assume modest domestic undergraduate enrolment growth of 791 FTE at UTSC, 24 FTE at UTM, and 190 FTE at the St. George campus. Divisional plans also include growth of 1,792 FTE international undergraduate students across all three campuses over the planning period, increasing international enrolment to 28% of total undergraduates. A high level summary of enrolment plans is shown in Table 1.

The University was successful in achieving its graduate enrolment targets and claiming all available funding from the Province during the period of the second Strategic Mandate Agreement (2017-2020). There is demand for another 1,000 master's spaces and 1,000 doctoral student spaces above and beyond those approved in SMA2. Funding for these spaces remains a point of advocacy in negotiations with the Province, but will not be reflected in the new Strategic Mandate Agreement, expected to be finalized in March 2020.

Additional details and discussion of future enrolment plans are contained in the 2019-20 Enrolment Report.

Operating Grants

Details of operating grants are included in Appendix B, Schedule 2. Provincial grant revenue is assumed to remain flat over the planning period, in line with the Province's direction on funding as part of the third Strategic Mandate Agreement. The introduction of performance-based funding is not expected to increase the amount of funding available; rather, it introduces a new accountability mechanism for existing funds. By 2024-25, 60% of Provincial operating grant revenue will be tied to performance metrics.

Over the course of 2019, the Council of Ontario Universities has worked with the Ministry of Colleges and Universities to introduce mechanisms to the performance based funding formula that increase predictability and minimize

Figure 3

OUAC Application Growth U of T vs Peer Institutions

OUAC (Category 101, First Choice) — Growth Over 2009

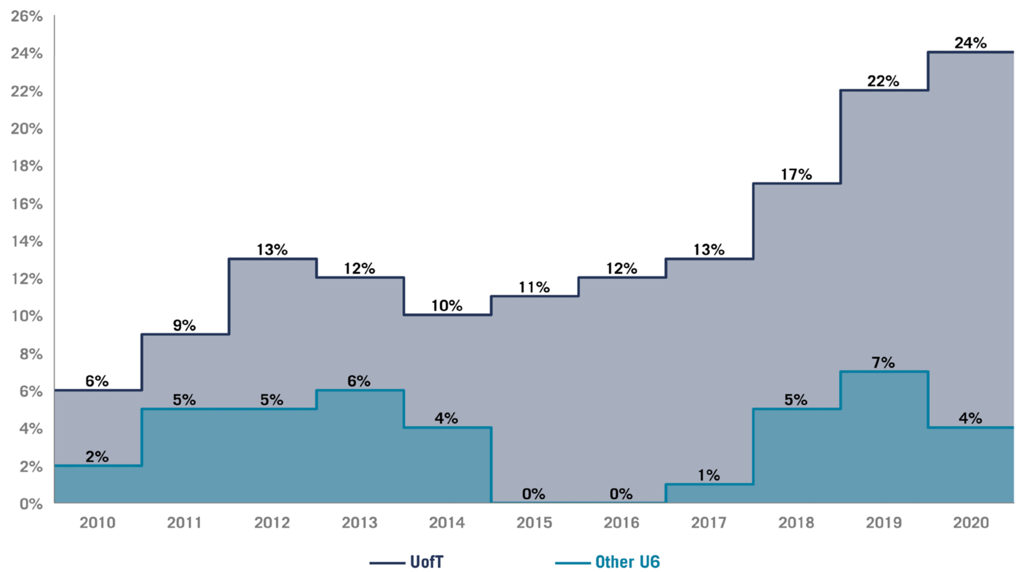


Table 1[7]: Enrolment (Full-time Equivalent) by Domestic-International Mix, 2019–20 to 2024–25

	2019–20A	2020–21P	2021–22P	2022–23P	2023–24P	2024–25P
UG Domestic	46,199	46,373	46,452	45,863	47,175	47,203
UG International	16,928	17,741	18,281	18,533	18,713	18,720
% International	27%	28%	28%	28%	28%	28%
Grad Domestic	15,192	15,453	16,052	16,438	16,664	16,857
Grad International	3,992	4,202	4,381	4,477	4,569	4,669
% International	21%	21%	21%	21%	22%	22%
Total FTE	**82,311**	**83,768**	**85,166**	**86,311**	**87,121**	**87,448**

volatility. These include relaxing the continuous improvement requirement for institutions with "best-in-class" performance outcomes, allocating full funding to institutions whose performance falls within a band of tolerance around the calculated performance target for each metric, and providing a pro-rata share of funding if performance falls below the band of tolerance. The Ministry has also indicated that any performance funding that is not achieved by one institution will be reallocated to other Universities that have met their performance targets. Given the University of Toronto's strong performance, the long range budget guidelines assume retention of all performance based funding.

The budget assumes the following for provincial grants:

- Core operating grants will remain stable at $658 million, but the balance will shift significantly between enrolment-based funding (declining from $593 million to $239 million) and

7 Enrolment tables include enrolment in conjoint programs with the Toronto School of Theology (TST), but exclude enrolment in non-conjoint TST programs.

Table 2: Enrolment (Full-time Equivalent) by Degree Type, 2019–20 to 2024–25

	2019–20A	2020–21P	2021–22P	2022–23P	2023–24P	2024–25P
UG St. George	39,007	39,455	39,657	40,102	40,195	40,165
UG UTM	12,938	13,175	13,307	13,253	13,272	13,277
UG UTSC	11,182	11,484	11,770	12,041	12,420	12,481
Total Undergrad	**63,127**	**64,114**	**64,734**	**65,396**	**65,888**	**65,923**
% Undergraduate	77%	77%	76%	76%	76%	75%
Profess. Master's	9,116	9,409	9,779	9,882	9,959	10,045
Doc. Str. Master's	3,012	2,961	2,991	3,022	3,036	3,047
Doctoral	7,056	7,286	7,664	8,011	8,238	8,434
Total Graduate	**19,184**	**19,655**	**20,433**	**20,915**	**21,233**	**21,526**
% Graduate	23%	23%	24%	24%	24%	25%
Total FTE	**82,311**	**83,768**	**85,166**	**86,311**	**87,121**	**87,448**

Additional details and discussion of future enrolment plans are contained in the 2019–20 Enrolment Report.

performance-based funding (increasing from $65 million to $419 million) over the planning period;

- The Province will continue to reduce operating grants by $750 per international undergraduate and international master's student; and
- Provincial government operating grants will not include an inflationary increase.

Student Fees

A breakdown of tuition fees vs. ancillary, continuing education, and executive education fees is included in Appendix B, Schedule 2. It is important to note that tuition revenue increases are a result of both increased tuition fees and changes in enrolment levels. Tuition fees for domestic students are set within the existing, two-year provincial Tuition Framework, which required a 10% reduction to tuition fees in publicly-funded programs effective 2019-20, and a tuition fee freeze in 2020-21. The budget assumes a return to modest 3% annual increases in 2021-22 and beyond.

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. The average tuition increase for international students is 5.3% in 2020-21 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.

In addition to publicly-funded programs, most divisions also offer continuing and/or executive education programs. Fees in these types of programs are not regulated by MCU. Examples include: language, creative writing, and professional development programs in the School of Continuing Studies; and executive education programs in many professional faculties.

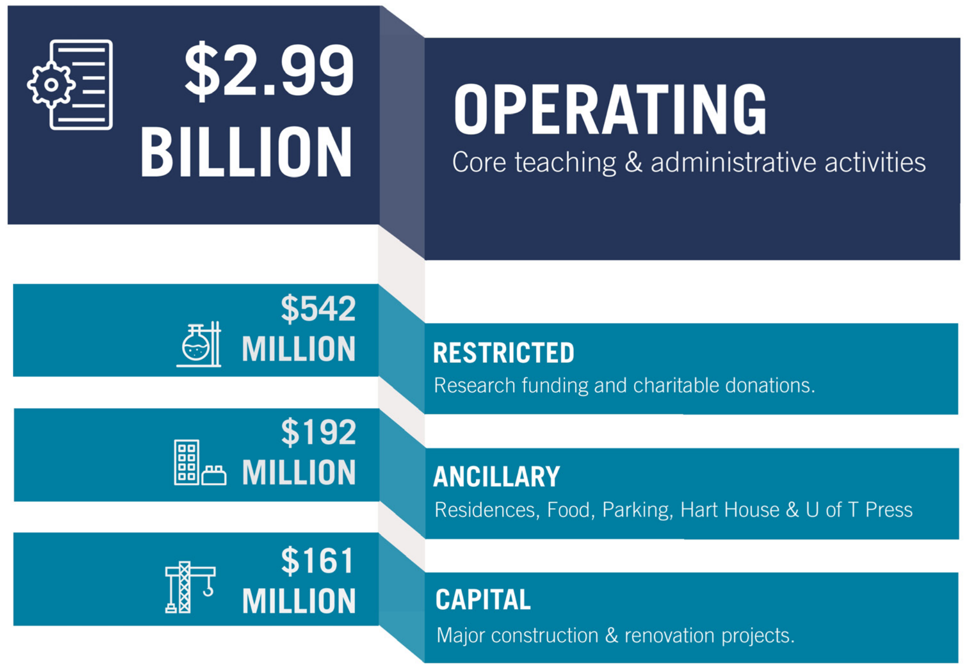
Ancillary fee revenue includes fees charged to students as permitted by MCU Guidelines. These include fees in the following categories: student services, health services, athletics, Hart House, constituent college fees, student society fees, cost recovery fees, and administrative user fees and fines.

Additional discussion of student fees is included later in this report. Detailed tuition fee schedules are provided in the Tuition Fee Schedules for Publicly-Funded and Self-Funded Programs 2020.

Figure 4

The Budget

The Four Fund Groups of the University



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%, such that the value does not entirely cover salary and benefit costs. 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 efforts in ensuring the representation of individuals from the federally designated groups — persons with disabilities, Indigenous peoples, visible minorities and women — among Canada Research Chair holders. The long range budget guidelines assume an additional 51 Canada Research Chairs at the University of Toronto by 2020-21.

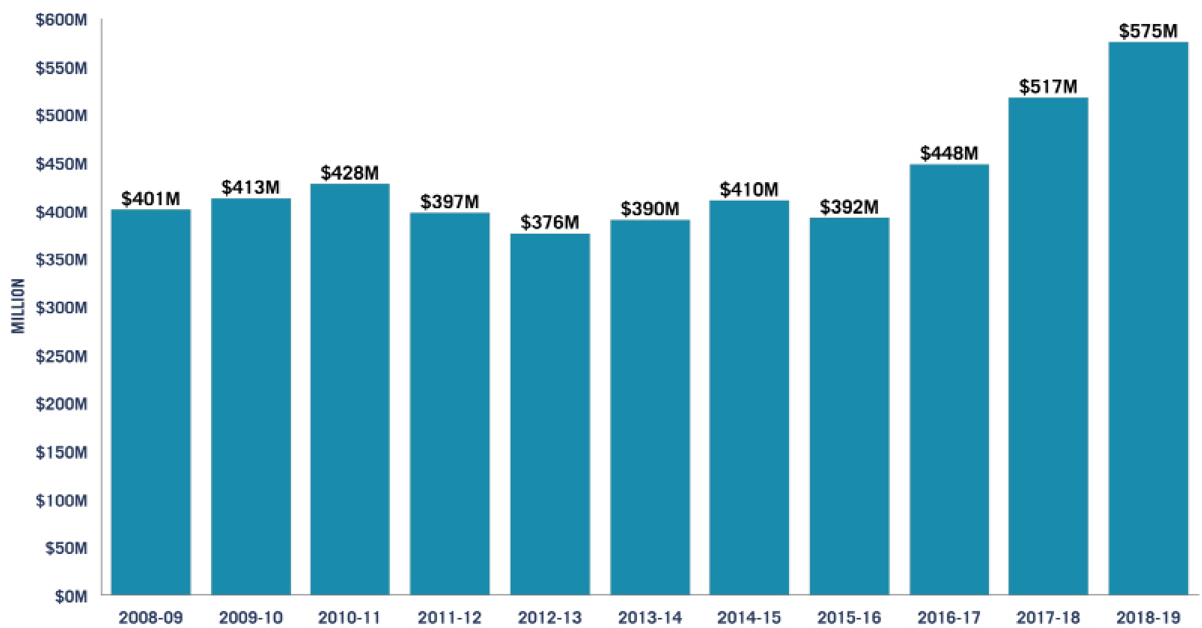
Although direct research expenditures are recorded in restricted funds, indirect costs incurred in support of research (e.g. occupancy, information technology, research services, human resources, library acquisitions and services) are recorded in the operating fund. The University incurs roughly $0.55 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. Investments by the federal government in Budget 2018 have increased the University of Toronto's effective rate of federal indirect costs recovery to 20% for 2019-20. While this investment is welcome, a doubling of the federal RSF rate would bring the University to $55 million, putting it somewhat closer to AAU competitors and would have a significant impact on allowing the research intensive divisions to close the gap on the 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.

Figure 5

Total Research Revenue

Excluding Hospitals



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 $2.7 million in 2020-21, to $1.9 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 to $15.1 million in 2020-21. Funding from the provincial Research Overheads Infrastructure Envelope (ROIE) is projected to remain constant, at $11.7 million annually.

Investments and Other Income

The University of Toronto has many generous friends and benefactors, who have contributed total endowments in excess of $2.59 billion (fair value at April 30, 2019). 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, 2.3% in 2020-21. 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.

Endowed funds are managed in a unitized investment pool, called the Long-Term Capital Appreciation Pool (LTCAP). Each individual endowment account holds units in LTCAP that reflect the number of dollars contributed and the unit value on the dates of contribution.

By policy, payouts from the University's endowed funds range from 3% to 5% of the market value of the relevant assets, with a target around 4%. To ensure that endowments will provide the same level of economic support to future generations as they do today, the University does not spend everything earned through the investment of funds in years when investment markets are good. In those years, the University sets aside and reinvests any amounts earned in excess of the spending allocation. This provides protection against inflation and builds up a reserve, which is expected to be used to fund spending in years when investment markets are poor. As of April 30, 2019, the endowment held a reserve of $225 million (8.7% of value) in cumulative preservation of capital above inflation. When investment income is insufficient to cover the amount allocated for spending, or when endowed funds experience a loss, the shortfall draws down this reserve.

From May to December 2019, the actual investment return was a gain of 4.65%. Following the endowment payout policy, the plan is to distribute an endowment payout equal to $8.34 per unit, representing 3.53% of the opening market value of the endowment. If investment returns remain unchanged for the rest of the year, the payout and provision for inflation protection would reduce the reserve above inflation protection to about $207 million.

In 2020-21 the projected payout rate would result in $49 million for student aid and $18 million for endowed chairs, reflected in the operating budget. The actual payout rate per unit will be determined and announced in March 2020 and the distribution will occur just prior to year end at April 30, 2020, following the normal process. For the remaining four years in the planning period, the payout rate is assumed to remain at $8.34 per unit as a precautionary measure.

The University also receives investment income from short-term, medium-term, and long-term investments of the Expendable Funds Investment Pool (EFIP). The short-term and medium-term investments are primarily managed by the University of Toronto Asset Management Corporation (UTAM), while the long-term investments represent funds used for the University's internal loan program. Principal and interest on internal loans are mainly paid by divisions, the interest portion of which is included in the investment income budget. Investment income makes up a small but important portion of total operating revenue (2.2%) 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 projections have decreased relative to last year's budget mainly due to lower rates of return on short-term investments. Short-term investment rates have remained low, and projections have therefore been revised to assume a slower growth of these rates into the future. The introduction of a medium-term portfolio partially offsets this impact, but lower rates of return on short-term investments, which make up the largest portion of EFIP, result in an overall lower investment income projection than in the previous long range budget guidelines. The short-term rate of return is assumed to rise from 1.93% in 2020-21 to 2.29% by 2024-25 and the medium-term rate of return is assumed to rise from 3.02% in 2020-21 to 3.27% by 2024-25.

Other income of $144 million in 2020-21 includes application fee revenue, service charges on unpaid fees, licensing revenue from commercialization, and revenue collected directly by divisions for general sales and services.

Budget Assumptions: Expenditures

Overview

Expenditure projections are included in Appendix B, Schedule 1. Additional details are included in Appendix B, Schedule 3 outlining projections for university-wide and campus costs; and Appendix B, Schedules 4 and 5 outlining expense budgets for each academic division.

Commensurate with revenue increases, total expenditures are projected to increase by 8.0% from $2.77 billion in 2019-20 to $2.99 billion in 2020-21. Rates of growth vary significantly by division, and the University must remain restrained in its allocation of resources, while ensuring it maintains standards of excellence in teaching, research and the student experience. 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. 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 versus the academic divisions.

Compensation

Collective agreements are in place through June 2020 for most bargaining units, including the Faculty Association and USW (administrative staff), as well as through December 2020 for CUPE 3902 Unit 1 (teaching assistants), and through August 2021 for CUPE 3902 Unit 3 (sessional instructors). Collective bargaining will commence imminently for several renewal agreements that will take effect during the 2020-21 budget year. Compensation terms for future agreements will not be known until bargaining is completed.

Approximately 62%[8] 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.

The Protecting a Sustainable Public Sector for Future Generations Act, 2019, which received Royal Assent on November 7, 2019, imposes a series of restrictions on compensation within the broader public sector in Ontario. The Act sets out a 3-year moderation period (in the form of salary and compensation caps) for both unionized and non-unionized employees during which incremental increases to new and existing compensation is restricted to 1% for each of the 3 years. Compensation as per the Act relates to anything paid or provided, directly or indirectly, to or for the benefit of an employee, and includes salary, benefits, perquisites and all forms of payments. The Act does not apply to designated executives under the Broader Public Sector Executive Compensation Act, 2014.

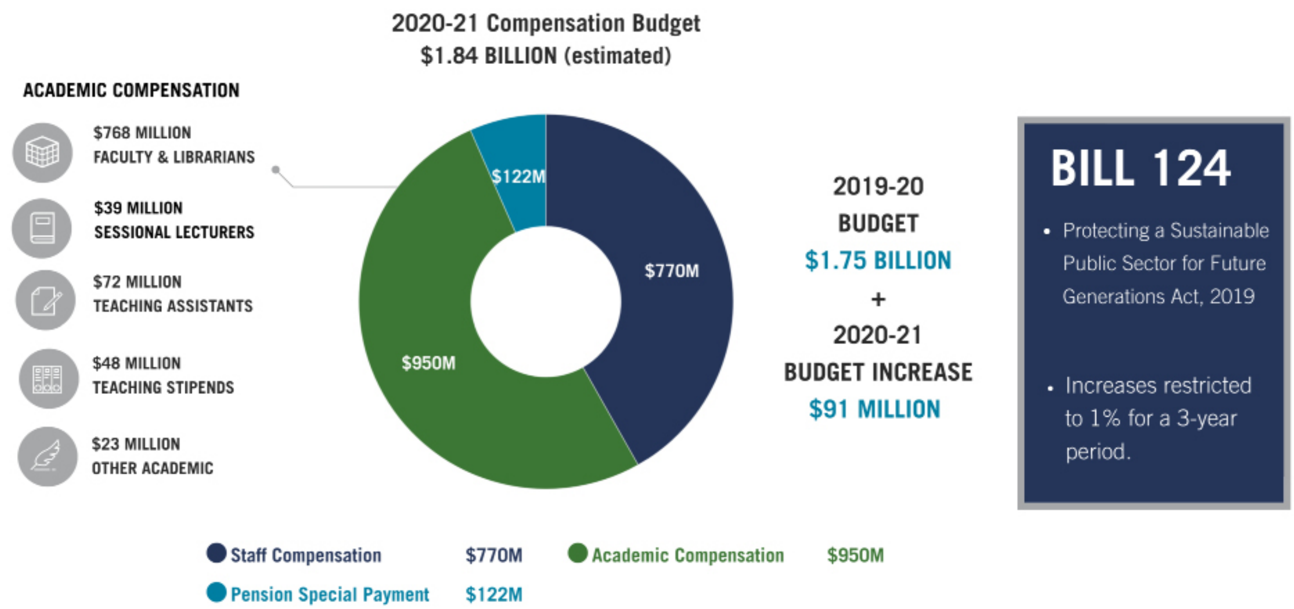
Collective bargaining agreements in place as at June 5, 2019 continue in accordance with their existing terms; the moderation period begins when the renewal agreements take effect. For non-union employee groups (i.e. Professional/Managerial, Confidential, and Research Associates and Senior Research Associates), the University has the discretion to determine when the 3-year moderation period will apply, provided it begins no later than January 1, 2022.

The Act does not preclude or limit increases related to length of employment (i.e. step increases), performance assessments (i.e. merit increases), or successful completion of a program

8 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 72% of operating expenditures, including the accrual of expenditures for employee future benefits.

Figure 6

Compensation



or course of professional or technical education. There is no ability to provide adjustments to salary outside of these exceptions. Step increases for unionized staff and merit increases for non-union employees can continue outside of the legislated maximum 1% increase, provided the methodology used to calculate such increases does not change. Besides these exceptions, a maximum incremental increase to existing compensation entitlements or new compensation entitlements must not exceed 1% in total, on average.

Executive compensation has been frozen since March 31, 2012 under the Broader Public Sector Accountability Act (2010). On December 9, 2014, the Ontario Government passed Bill 8, the Public Sector and MPP Accountability & Transparency Act (2014). This new legislation, which replaced the Broader Public Sector Accountability Act (2010), 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 required broader public sector institutions to develop an executive compensation framework in consultation with government and the public.

On August 13, 2018, the new Ontario government implemented an extended freeze on executive compensation that came into immediate effect. The new proposed regulation applies to compensation for all designated executives, regardless of whether organizations had already implemented an executive compensation framework under the previous regulations set out in 2014. The new framework is expected to establish limits on increases to salary, performance-related pay, and all other elements of compensation. To date, the government has not tabled the final regulations. In the meantime, the status quo on compensation restraint for "designated executives" applies.

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. 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 on Page 22.

Table 3: Collective Agreement Expiry Dates

Agreement	Expiry
University of Toronto Faculty Association	**Jun 2020**
USW 1998: Administrative and Technical Staff	**Jun 2020**
CUPE 3902U1: Teaching Assistants, Course Instructors	**Dec 2020**
CUPE 3902U3: Sessional Instructors	Aug 2021
CUPE 3902U5: Postdoctoral Fellows	Dec 2022
CUPE 3907: Graduate Assistants at OISE	Aug 2021
OPSEU 578: Research Officers & Assistants at OISE	**Jun 2020**
CUPE 3261: Service Workers	**Jun 2020**
CUPE 3261: 89 Chestnut	**Dec 2020**
CUPE 1230: Library Workers	**Jun 2020**

Agreement	Expiry
IATSE 58: Stage Employees at Hart House	Aug 2021
CUPE 2484: Day Care Workers	**Jun 2020**
OPSEU 519: Campus Police	**Jun 2020**
CAW 27: Carpenters	Apr 2022
Unifor 2003: Engineers	**Apr 2021**
IBEW 353: Electricians	**Apr 2021**
IBEW 353: Locksmiths	**Apr 2021**
IBEW 353: Machinists	**Apr 2021**
SMWIA 30: Sheet Metal Workers	**Apr 2021**
UA 46: Plumbers	May 2021

- In the case where there is no agreement in place, divisions plan for compensation increases within the context of the University's structural deficit. 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 be reduced to 23.5% for appointed staff and will remain at 10% for non-appointed staff in 2020-21. The SBR covers legislated and negotiated benefits. This recommended decrease for appointed staff is mainly due to a decrease in the University's portion of pension current service costs.

Pension special payments and pension-related costs

Both the overall economic and financial climate and the regulatory landscape continue to be uncertain with respect to pensions. Investment markets are continuing to experience considerable volatility. Investment returns and University special payments have resulted in improvements to the going concern deficit over the last decade (from a deficit of about $1 billion in 2011 to a deficit of $239.8 million in 2019). However, lower interest rates and increases in longevity have resulted in a solvency deficiency of $1.3 billion in 2019, equivalent to a solvency funded status of 80%. For the period July 1, 2019 to December 31, 2019, rebounding investment markets have resulted in positive returns for the first six months of the pension fiscal year. The next actuarial valuation will be performed at July 1, 2020. This valuation, which must be filed with the regulator, will determine the University's funding requirements from July 1, 2020 to June 30, 2021. Until the required funding is determined, the pension special payments budget for each year of the long-range budget plan will increase $5 million per year from $122.2 million in 2020-21 to $137.2 million in 2023-24, as anticipated in last year's long range budget, and remain at $137.2 million in 2024-25.

Academic Expense Budgets

This budget line includes the majority of the funds that are managed by the academic divisions. Under the University of Toronto budget model, each division receives an expense budget equal to the net revenue generated by the division, plus an allocation from the University Fund (see Appendix A for a description of the University of Toronto budget model). Future unspecified allocations to academic divisions from the University Fund are included on the University Fund budget line.

Academic divisional plans include hiring of tenure and teaching stream faculty, enhancement of student services and financial aid, funding of all compensation increases, introductions of several new academic programs, 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. Further discussion of strategic budget priorities in the academic divisions is included later in this report.

University Fund

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 a portion of incremental operating revenue to divisions, taking into consideration the divisional and University-wide academic priorities emerging from discussions during annual budget reviews. Effective 2020-21, the proportion of incremental (unrestricted) operating revenue allocated via the University Fund has been increased from 10 to 14 per cent.

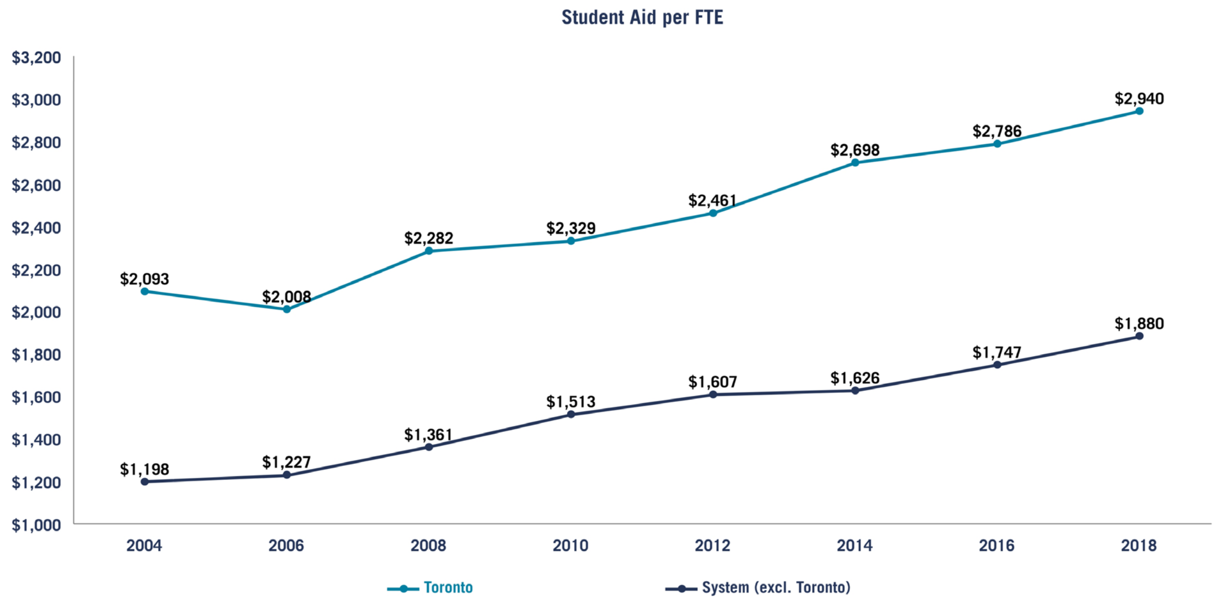
The total amount available for allocation in 2020-21 is $42 million; including $27 million from incremental revenue and $15 million of prior year one-time-only funds that are available for re-allocation. Over the 5-year planning period the Provost is projected to have approximately $85 million available for allocation through the University Fund. A detailed discussion of strategic priorities funded via the University Fund is included later in this report.

University-wide and Campus 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 purposes, the shared services are organized into 11 portfolios, providing service across all three campuses. The University of Toronto Mississauga and University of Toronto Scarborough function both as campuses and as academic divisions. Some services, including caretaking, maintenance, and student services, are administered at the campus level. Support service costs at the UTM and UTSC campuses are defined in a manner parallel to the costs required to administer campus-level services at St. George.

Figure 7

Student Aid Expenditures



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. The Memorandum has expired and a new agreement is under discussion; the budget assumes the terms of the old Memorandum will continue.

University-wide and campus costs in 2020-21 are projected to total $660 million, excluding pension special payments described above. Occupancy costs, including utilities, maintenance, caretaking, and deferred maintenance make up the single largest university-wide cost category, totaling $218 million across all three campuses for 2020-21. Under the University's budget model, academic divisions are responsible for covering the operating costs of their space. Projections include $4.6 million for the operating cost of new space expected to come online over the planning period. The budget for utilities is projected to remain flat in 2020-21.

Library costs are the second largest category at $117 million for 2020-21, including budgets for many centrally funded libraries. The budget includes the cost of collections, space and administrative and librarian services. Funding for 2020-21 includes an increase of 3.4% on the cost of electronic acquisitions.

Operating budgets for remaining shared service portfolios total $208 million for 2020-21, including funding for compensation increases, net of an across the board cost containment measure of $2.3 million (1%).

In addition to the cost of these shared services, university-wide cost budgets are established for institution-wide non-discretionary expenditures such as banking, audit, insurance and legal fees, municipal taxes, collective bargaining commitments, and licensing fees for institutional IT systems. These costs are projected to be $63 million in 2020-21.

University-wide expenses also include $37 million in special initiative funds held by Vice-Presidents for distribution to academic divisions throughout the year, such as the International Fund, the Major Research Project Management Fund, the Cross-Divisional Research Initiatives Fund, the Provost's Matching Fund, and the Instructional Technology Fund.

When considering the total amount of funding available for new initiatives, the University carefully monitors the relative rate of year-over-year increase in academic and shared service division budgets. It should be noted, however, that the impact of University-wide cost increases varies significantly among divisions due to differential rates of revenue growth.

Student Aid Expenditures

A breakdown of proposed student aid budgets for 2020-21 to 2024-25 is shown in Appendix B, Schedule 3. Total spending is projected at $258 million for 2020-21, growing to $344 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. A comprehensive view of the University's financial aid and graduate student funding programs is provided in the Annual Report on Student Financial Support 2018-19. A discussion of the relationship between tuition fees and student financial assistance is also included later in this report

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. The budget is projected to increase by $2.1 million in 2020-21. 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, Sheridan College, and Centennial College with which the University offers joint programs.

3 Students: Affordability, Access & Outcomes

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 2019–20 to 2020–21.

Tuition Fees and Financial Assistance

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.

The University of Toronto is independently committed to financial aid, and is guided by the 1998 Governing Council Policy on Accessibility, which will continue to drive 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."

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.

The University's primary mechanism for providing need-based aid to OSAP-eligible direct-entry undergraduate students is the University of Toronto Advance Planning for Students (known as UTAPS) program. Need-based aid for students in second entry and professional master's programs is administered in divisionally-run programs, allowing for a more individualized and nuanced approach to providing assistance. Divisional programs are supported where necessary by access to an institutionally-negotiated line of credit.

On January 17, 2019, the Ontario government announced a 10 per cent cut to domestic tuition fees beginning in 2019-20, and a freeze at that level for 2020-21. The tuition fee reduction applies to domestic students enrolled in programs that are funded via the provincial operating grant, including all direct entry undergraduate, second entry and professional master's programs, and doctoral stream programs.

At the same time, the Government announced significant changes to need-based financial aid provided via the Ontario Student Assistance Program (OSAP). Changes to OSAP include a reduction in the income threshold under which students qualify for non-repayable aid (grants), an increase in the proportion of aid provided as loans, and increases in required parental and student contributions to the cost of education. The Government stated that they would target OSAP funds to students with the greatest financial need, distributing a larger proportion of grant funding to students with family incomes of less than $50,000.

These changes reduced the overall amount of student aid payable to students, including the University's regulatory obligation to cover any unmet financial need as defined by OSAP under the Student Access Guarantee. However, the University remains firm in its internal access guarantee – that financial circumstances should not stand in the way of a qualified student entering or completing their degree. For 2020-21, the UTAPS budget is projected to remain unchanged, in line with the freeze in domestic tuition fee levels.

At the University of Toronto, 62% of full time domestic students in the incoming class of direct entry undergraduates for 2018-19 received support from the provincial needs-based assistance program (OSAP), and more than a quarter of the incoming class came from families with incomes under $50,000 per year.

Table 4: 2018–19 Incoming Class by Financial Aid Category (Full-time, Domestic Undergraduates in Direct-Entry Programs)

OSAP Recipients	Family income < $50,000	28%
	Family income $50,000–$100,000	17%
	Family income > $100,000	17%
Non-OSAP Recipients		38%

The proportion of students graduating from direct-entry programs with OSAP debt remains at 52%. However, the average amount of OSAP debt at graduation has declined by 6.6% in real terms since 2012-13. 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.

Table 5: Key Metrics of Student Debt

	2012–13	2018–19
Porportion of graduates with OSAP debt	48.8%	51.9%
Average repayable OSAP debt (2017 dollars)	$21,791	$20,343
OSAP default rate	3.5%	2.2%

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. The average tuition increase for international students is 5.3% in 2020-21 and varies slightly each year thereafter depending on divisional plans.

In 2019-20, the University welcomed the third 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 in 2020-21. Funds are provided from a combination of international tuition revenue and fundraising.

In addition, direct entry undergraduate divisions have committed to a significant new investment in merit-based

Figure 8

International Student Scholarship Funding

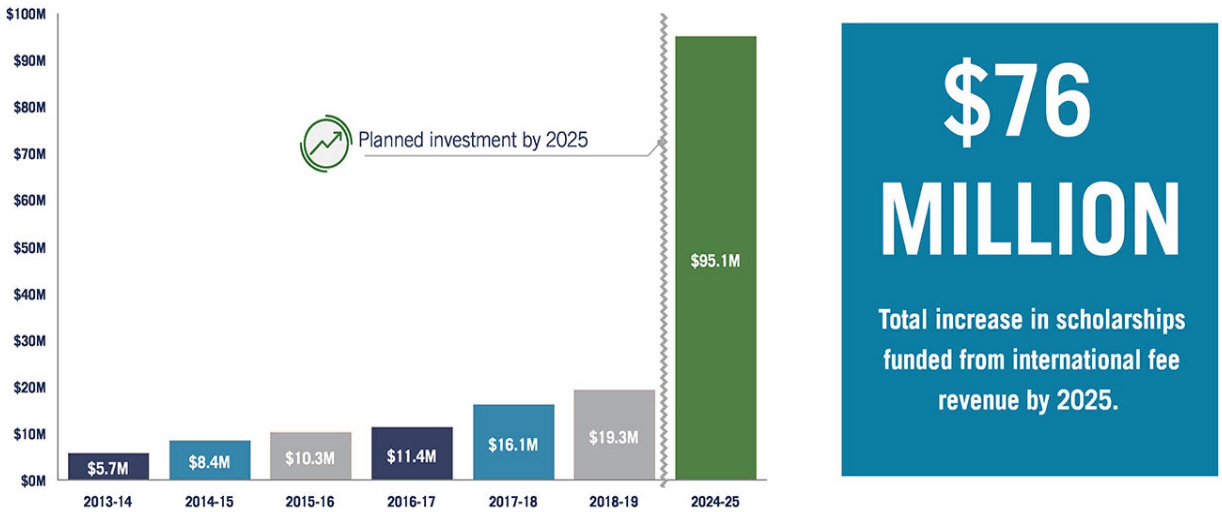
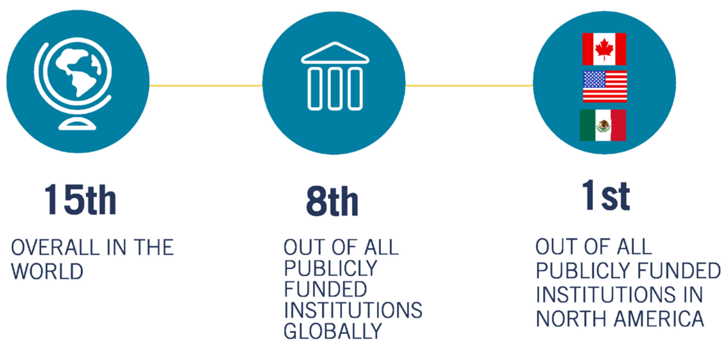


Figure 9

U of T Graduate Employability



*based on Times Higher Education Rankings (2019)

scholarships for international students from diverse global regions. Divisions will earmark 6% of total international undergraduate tuition revenue to create scholarships to reduce the cost of tuition for top international applicants from around the world. The investment will be phased in beginning with the incoming class in Fall 2020, growing from $14.7 million in 2020-21 to $75.8 million by 2024-25. Each division will design its own award program based on diverse criteria including merit, financial need, priority regions for diversification, and intended program of study.

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 graduate students received support of $309 million in 2018-19.

The skills that students develop during their time at University play an important role in labour-market outcomes, and their contributions to the economic and social fabric of Canada and the world. According to the prestigious Times Higher Education magazine, University of Toronto graduates are among the world's most desirable employees – ranked first in Canada and 15th place globally. In addition, results from the 2017 Alumni Impact Survey reveal that U of T alumni help generate economic wealth and prosperity, are respected community volunteers and mentors, and are prolific creators of academic and creative works. Alumni active in the labour force enjoy a 97.6% employment rate, with a higher percentage of alumni participating in the knowledge-intensive economy compared to the national average, particularly in the educational, legal, health and government sectors.

4 Priority Investments

The impact of a domestic tuition fee reduction in 2019-20 had a differential impact on each division, depending on program mix and divisional revenue sources. Revenue growth in 2020-21 will be used to stabilize divisional budgets, improve services and supports for students, and invest in the infrastructure that is critical to supporting teaching, research, and the community.

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 a portion of incremental operating revenue to divisions, taking into consideration the divisional and University-wide academic priorities emerging from discussions during annual budget reviews. In 2020-21, the total amount available for allocation is $42 million; including $27 million from incremental revenue and $15 million of prior year one-time-only funds that are available for re-allocation. The Provost has made allocations across four categories:

Student Experience and Success ($6.0 million)

- Redesign of the University's mental health services as recommended by the Presidential and Provostial Task Force on Student Mental Health, including the appointment of a tri-campus Clinical Director and expanded counselling options;

- A new Centre for Graduate Mentorship and Supervision, to provide support to enhance the quality of mentorship and supervision of graduate students, as well as assist individuals experiencing supervisory challenges;

- Additional staffing to support the unique needs of international students, including increased immigration advising on all three campuses;

- Funding to encourage growth in the number and quality of experiential learning (EL) opportunities. This includes staff to focus specifically on Indigenous EL, work study, employer relations, and community relations, and provide services to divisions on all three campuses as they reach out for assistance to facilitate their EL initiatives;

- Funding for the Graduate Centre for Professional Development to provide graduate students with more opportunities to explore careers and develop transferable skills beyond those conventionally learned within their disciplinary programs; and

- Staff to support study abroad activities, including the safety of students as they undertake international learning opportunities. The Centre for International Experience will provide tri-campus services to all students using a more direct, embedded delivery model.

Faculty Diversity and Renewal ($2.3 million)

- Extension of the Diversity in Academic Hiring fund. This allocation will support the hiring of 20 additional Black and Indigenous faculty, and builds on the first three phases which have provided funding to support the hiring of 80 faculty and 20 staff members from underrepresented groups; and

- New faculty positions in the area of Deep Learning, building on previous successes and acknowledging Professor Geoffrey Hinton's receipt of the A.M. Turing Award in 2019.

Structural Budget Support ($33.4 million)

- $12 million to ensure all divisions are able to address basic inflationary cost pressures – bringing all divisions up to a minimum year-over-year budget increase of 3%;

- $6 million to address the growing indirect costs of research in divisions with significant growth in research output over the last several years; and

- $16 million investment in core teaching and research infrastructure, particularly in the health science divisions (Nursing, Medicine, Dentistry) related to the extraordinary costs of building and maintaining teaching facilities, clinics and labs to the required operational and accreditation standards.

Priorities in Academic Divisions

Within the envelope of new funding available, divisions have identified several priorities for new and ongoing investment:

- New degree programs planned for 2020-21 include the MSc in Pharmacy, Master of Management in Urban Innovation, Doctor of Nursing, and PhD in Architecture. The School of Continuing Education and other divisions continue to look for new opportunities in continuing and professional education.

- Divisions continue to collaborate on a strategy to diversify the international student population to more closely reflect the University's wide range of global partnerships and the City of Toronto. As noted above, direct entry undergraduate divisions will earmark 6% of total international undergraduate tuition revenue to create scholarships to reduce the cost of tuition for top international applicants from around the world. Divisions also continue to invest in additional academic programming, co-curricular programming, and counselling and support services to ensure the success of international students.

- 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.

- New faculty hiring is planned across many divisions with the objective of maintaining the quality of the student experience, and building new programs in emerging areas. Divisional plans include adding 49 incremental faculty positions in 2020-21.

University-wide Costs

Investments in shared services are focused on the highest priority services for students, faculty, and staff. Allocations include:

- Investments in the Provost's division to assist academic divisions in the academic appointment and tenure process, address immigration complexity, and maintain competitiveness on the global stage for academic hiring.

- Additional staffing support to provide consultation and guidance around the use and interpretation of course evaluation data; engage in pedagogical consultations; and facilitate teaching innovation activities such as workshop design and delivery, resource development, program evaluation and instructional support.

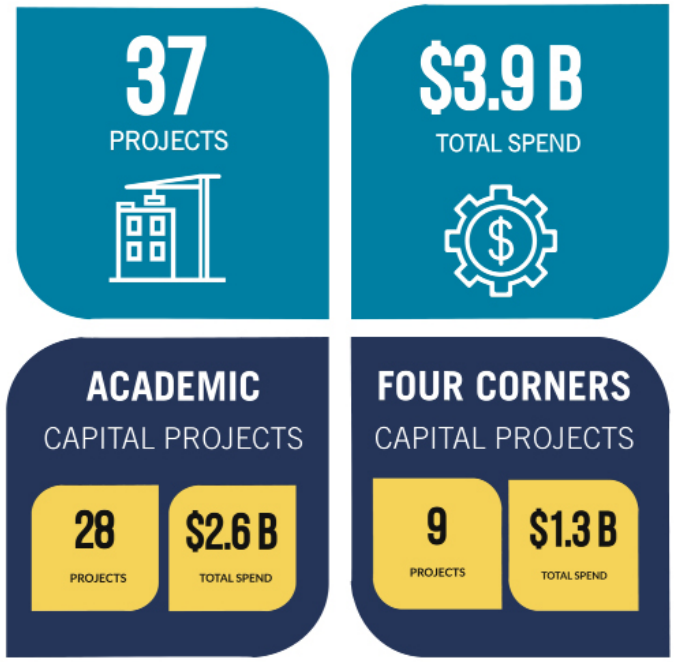
- Staffing in the Research and Innovation portfolio to support the increase in volume of industry partnerships and patent applications, and respond to escalating compliance requirements and expanding reporting accountabilities.

- Funding for a digital scholarship centre in the University of Toronto Libraries for large-scale textual analysis. Obtaining licensed textual data sets is often the first barrier encountered by researchers. Such a lab will increase availability of both digital texts and textual analysis tools that will open new avenues of scholarly enquiry.

Figure 10

Capital Projects & Planned Investments

5 Year Projection



- Continued investment in renewal of classroom infrastructure, addressing the deferred maintenance liability, and upgrading facilities to comply with the Accessibility for Ontarians with Disabilities Act.

- Implementation of recommendations from the Review of Convocation, including additional operations support, improved accessibility services, and accessibility-related live close captioning.

- Additional investments in Enrolment Services staffing to support existing and future demand for domestic and international admissions and recruitment.

- Continued investments in the multi-year new student system (NGSIS) project, network infrastructure upgrades, ongoing renewal of the wireless network, and IT security compliance and risk assessment.

- Continued funding to modernize the Administrative Management System (SAP) over the next several years. The current system was implemented in 1995. Support for the existing system will expire in 2025 as SAP moves its applications to the cloud. The investment supports both upgrade to technology and licenses, and introduction of some new HR products. This initiative will continue to 2022-23.

- Investments in Advancement staffing, programs, and IT infrastructure to expand capacity for future fundraising efforts.

- Capacity building for internal and external communications and brand building activities, including the University of Toronto Magazine and a strategic marketing plan.

Capital Projects

Over the next five years, academic divisions have plans for several major capital projects, including a second Instructional Centre at UTSC; a new Science building at UTM; renovations in several Arts & Science buildings at the St. George Campus; a new Data Sciences Centre; the Academic Wood Tower; and the Centre for Civilizations, Cultures and Cities 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, with the objective of funding no more than 20% of required capital from long term debt.

Figure 11

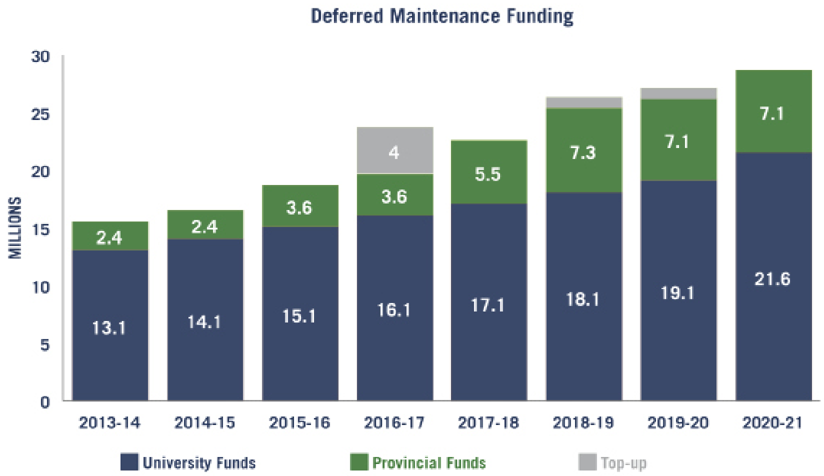
Deferred Maintenance Funding

St. George Campus

$2.5M ↑ **UNIVERSITY INVESTMENT**
PER YEAR

$29M **FOR THE NEXT 10 YEARS**
PER YEAR

$718M **LIABILITY**
OVERALL



In addition to these capital projects, the operating budget sets aside approximately $24 million annually for deferred maintenance across all three campuses. Additional resources are available to address deferred maintenance through the provincial Facilities Renewal Program (FRP) program, estimated at $9.4 million annually. In order to maintain buildings at the current facilities condition index, $2.5 million will be added to the operating budget for deferred maintenance in 2020-21, and an additional $1.5 million in each year of the planning period, growing to $33 million across the three campuses by 2024-25.

In the Fall of 2017, the University began a planning exercise to consider how it might leverage its significant real estate assets to not only develop amenities to support the academic mission, but to grow the portion of the University's operating budget from "other" revenue. The end result of this planning exercise was the adoption of the Four Corners Strategy, which sets an ambitious goal of generating $50 million in operating funding per year by 2033 through the development of roughly 3.5 million square feet of new space devoted to campus services, amenities, office and retail spaces.

Over the planning period, existing leasing revenues will be used as seed funding for capital projects under the Four Corners Strategy. Individual projects will be brought forward to governance for approval per the normal process. Current projects in various stages of planning, design, and construction include faculty and student housing development on all three campuses, as well as the Schwartz Reisman Innovation Centre (SRIC). Located directly across from Toronto's Discovery District, the SRIC will be a major achievement in advancing innovation and commercialization of research. The SRIC's programs will symbiotically benefit from industry adjacency and contribute to the district's rapidly expanding global role as a hub of innovation in artificial intelligence, the life sciences, and beyond.

Inter-fund Transfers

WWithin 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.

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5 Risk

The Economic and Political Climate

The Canadian economy is operating near capacity. The Bank of Canada Monetary Policy report released in January 2020[9] projects that, following a slowdown in the last quarter of 2019, growth will pick up through the first half of 2020 and remain just above the rate of potential thereafter. Total growth in real GDP is forecasted to be 1.9% for 2020 and 2.1% for 2021. Inflation is expected to remain close to 2% over the planning period.

According to Ontario's Fall Economic Outlook, the Provincial government is now projecting a deficit of $9.0 billion for 2019-20, which represents a positive variance of $1.3 billion from the deficit target set out in the 2019 Provincial Budget. This change is primarily due to economic growth and higher than planned tax revenues. The government remains committed to returning the Province to balanced budgets by 2023, in a way that allows for critical infrastructure investments and ensures public services continue to be supported. The University anticipates that spending restraint will impose significant pressure on all provincially-funded sectors.

The Structural Budget Challenge

The University of Toronto has experienced significant growth over the last decade. Since 2009-10, the University has added more than 10,000 undergraduate student spaces (+21%) and more than 6,000 graduate student spaces (+46%). International student enrolment has increased from 12% to 25% of total enrolment. The total operating budget has more than doubled 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 2.2%. 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 2.2% per year. Contrasted against this is a potential "steady state" weighted average rate of growth in expenditures of approximately 3.3%[10] . This leaves a notional structural budget annual gap of 1.1% at steady state.

The University is actively pursuing strategies that align with its academic mission that will enable it to close this potential future gap. On the revenue side the University is 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, and advocacy with the federal government to increase the indirect costs of research rate to at least 40%.

9 Bank of Canada Monetary Policy Report, January 2020. https://www.bankofcanada.ca/wp-content/uploads/2020/01/mpr-2020-01-22.pdf

10 Steady state growth in expenditures is calculated using the average cost of salary and benefit increases in all employee group agreements over the last three years (4.0%); it is not a projection for the future.

On the expense side, containing annual increases of salaries and benefits to no more than the rate of steady state revenue growth is one of the most powerful strategies the University can pursue. 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[11] . Divisions with greater distributed risk (i.e. large international enrolment, significant growth, high levels of external revenue, etc.) may establish larger operating contingency reserves.

Deferred Maintenance

As noted in the *Annual Report on Deferred Maintenance*, presented to Business Board for information on February 3, 2020, the University's total deferred maintenance liability on academic and administrative buildings presently stands at $879 million. In 2018, MCU implemented significant changes to the Province's Facilities Condition Assessment Program (FCAP) which resulted in an increase in the deferred maintenance liability. Changes include a move from construction cost reporting to total project cost reporting (including "soft costs" such as professional services and consulting fees), and a more detailed and customized approach to building audits. This change will be phased in over a five year period, and will likely result in significant increases to the deferred maintenance liability during the planning period.

The operating budget sets aside approximately $20 million annually (growing to $29 million by 2024-25) for deferred maintenance at the St. George campus. Separate funds totaling approximately $4 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. Provincial FRP funds for the University of Toronto totaled $9.4 million in 2019-20. Given the Province's fiscal outlook, there is some risk associated with future funding of capital renewal.

Pension

The overall economic and financial climate continues to be uncertain with respect to pensions. Interest rates continue to be very low, making it much more difficult to achieve target investment returns in the long-term. Longevity continues to increase, making the same pension benefits more expensive. Investment returns and University special payments have resulted in improvements to the going concern deficit over the last decade (from a deficit of about $1 billion in 2011 to a deficit of $239.8 million in 2019). However, lower interest rates and increases in longevity have resulted in a solvency deficiency of $1.3 billion in 2019, equivalent to a solvency funded status of 80%. For the period July 1, 2019 to December 31, 2019, rebounding investment markets have resulted in positive returns for the first six months of the pension fiscal year.

Under the Ontario Government's temporary solvency funding relief program, the University is required to make solvency deficit payments of $21.3 million annually effective July 1, 2018, in addition to required going concern deficit payments of $44.5 million per year, calculated from the most recent actuarial valuation at July 1, 2017. However, the University made additional going concern deficit payments of $6.6 million in 2019-20, for total special payments of $72.4 million.
The University expects this level of required funding to be temporary due to the implementation of new pension funding rules. The elements of the new Provincial pension funding framework are as follows:

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

- 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 period for amortizing 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 increased the Pension Benefits Guarantee Fund (PBGF) monthly guarantee, which has resulted in higher premiums.

One of the University's priorities is to ensure the long-term sustainability of its pension plan. In 2018-19, the University successfully negotiated agreements with its union partners and the Faculty Association, as well as obtained consent from non-unionized employees and retirees to adopt a joint risk-sharing approach through a multi-employer jointly sponsored pension plan (JSPP). The University of Toronto joined with the University of Guelph and Queen's University to establish a University Pension Plan (UPP), which will come into effect in the summer of 2021. The UPP will be a JSPP, jointly governed by employers and plan members. The governance structure includes two joint Sponsors, who represent the interests of Employees and the Employers and who appoint a 14 member Board of Trustees which as the acts as the Administrator of the Plan. It is anticipated that this new plan will be fully implemented and operational by July 1, 2021. The Governing Council's Business Board approved the adoption of the UPP, along with employee pension contribution increases effective July 1, 2019.

This initiative is forward-looking and would not address the going concern or solvency deficits, which reflect past experience. Under the UPP, if and when approved, the three universities involved will be required to fund their initial pension deficits over 15 years. It is anticipated that a revised pension contribution strategy will be updated once the July 1, 2020 actuarial valuation has been filed.

The U of T Plan will be subject to the new funding rules until such time as the pension assets are transferred to the UPP (July 1, 2021, or other date as determined by the timing of the approval of the asset transfer by the pension regulator).

Summary

The long range budget guidelines reflect the impact of a 10% cut to domestic tuition fees beginning in 2019-20, and a freeze at that level for 2020-21. Divisional plans include modest increases in international enrolment over the planning period, increasing the proportion of international students to 28% of total undergraduate FTEs by 2024-25. Overall operating revenue is projected to increase by 8.0% over 2019-20.

The domestic tuition fee reduction in 2019-20 had a differential impact on each division, depending on program mix and divisional revenue sources. Adjustments to divisional budgets differed based on local priorities, but included changes to faculty and staff hiring plans, deferral of capital projects, service reductions, and operating cost efficiencies.

Over the last year, senior institutional and divisional leaders engaged in extensive discussions regarding the University's ability to re-deploy resources for the benefit of the institution, including: funding for high-impact, cross-divisional initiatives; the timely pursuit of institution-wide priorities; and support for academic divisions with less access to key revenue levers or economies of scale in expenditures. Through these discussions, consensus emerged on several changes: 1) increasing the size of the University Fund; 2) identifying short- and medium-term sources of one-time funding to support major strategic initiatives; and 3) employing operating reserves to enhance the financial situation, improve capital infrastructure, and ultimately support the research and teaching missions.

Revenue growth in 2020-21 will be used to stabilize divisional budgets, improve services and supports for students, and invest in the infrastructure that is critical to supporting teaching, research, and the community. The Provost has allocated funding for several high priority activities that support the success and well-being of students. These activities include: a redesign of the University's mental health services as recommended by the Presidential and Provostial Task Force on Student Mental Health[12] ; the creation of a new Centre for Graduate Mentorship and Supervision to enhance the quality of mentorship and supervision of graduate students; and an increase in staffing to support the unique needs of international students.

Compensation increases are planned within the provincial restraint context. Priority investments in shared services are focused on the highest priority services for students and faculty, funding to sustain the services and collections of the University's world-class library system, investments in deferred maintenance, classroom infrastructure, and accessibility improvements. Budget priorities in academic divisions include hiring of tenure and teaching stream faculty; strengthening commitments to equity and diversity in faculty hiring and student recruitment; enhancing international student support and services; investing in research infrastructure; and expanding experiential learning opportunities and international experiences.

12 Presidential & Provostial Task Force on Student Mental Health: Final Report & Recommendations (December 2019) https://www.provost.utoronto.ca/wp-content/uploads/sites/155/2020/01/Presidential-and-Provostial-Task-Force-Final-Report-and-Recommendations-Dec-2019.pdf

Appendices

Appendix A:
The U of T Planning & Budget Framework

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 strives 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.

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, and Principals and their leadership teams at UTM and UTSC, 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.

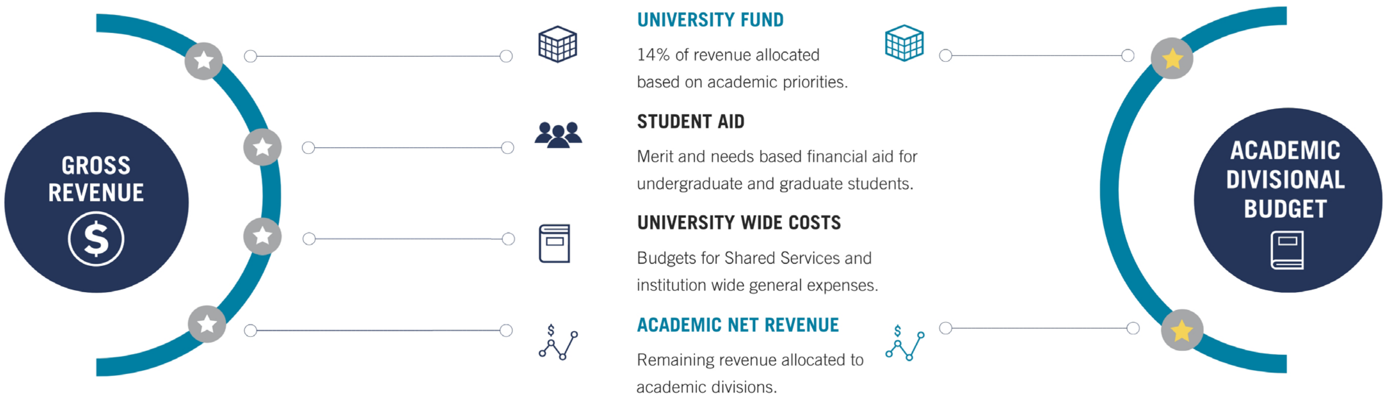
An essential and major part of the annual budget process is the formal process for budgetary reviews for campuses, academic divisions, and shared-service divisions. Two review processes are conducted annually, one for shared-services and the associated university-wide costs, and the other for UTM, UTSC,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

Figure 12

The Budget Model



The review process, whether for academic or administrative divisions, amounts to a high level of engagement by the UTM and UTSC principals, as well as 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 campus and 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.

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. 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 shared 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 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 campuses and 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.

Budget Model Review

The current budget model was adopted in 2007 based on the recommendations of the Task Force to Review Approach to Budgeting. The first review of the budget model, conducted in 2011, concluded that the budget model was serving the University very well and that no significant change in direction was required at the time.

In April 2018, the Provost launched the next periodic review of the University's Budget Model, noting that this time of change in funding landscape provides an opportunity to address emerging issues and ensure that the budget model will continue to serve the University well into the future. The Budget Model Review concluded in December 2019. The key findings and recommendations from each of the five working groups are summarized below:

1. The **Strategic Mandate Agreement (SMA) Implementation Committee** recommended that the performance-based funding mechanism established by the Province not be rolled out in its entirety at the division level. Rather, they recommended that performance-based funding only be applied to divisions where metrics are aligned with the University's existing academic priorities, and where division-level action can have meaningful impact.

2. The **Operational Excellence Working Group** will continue working beyond the period of the review, and will focus on the use of data from various sources (e.g. Uniforum, COU, U15) to identify opportunities to improve the efficiency and effectiveness of services to divisions.

3. The **Alternative Funding Sources Advisory Group** articulated several potential sources of revenue-generation that take advantage of some of the University's key strengths: its capacity to create and disseminate knowledge, its real estate holdings and physical infrastructure, and its significant financial capital. Each of the proposed strategies is underpinned by overarching principles that are committed to protecting the University's reputation, building a pipeline of new ideas, increasing physical capacity and financial flexibility at the institution-level to support divisional collaboration, and ensuring transparent incentives and risk assessment for alternative funding sources.

4. The **Tri-Campus Budget Relationships Working Group** provided additional understanding of the revenue and expenses associated with tri-campus graduate programs, and recommended that each administrative service have a clearly articulated service model to identify the division of responsibility between tri-campus shared service units, academic divisions, and campuses.

5. The **Inter-Divisional Teaching Working Group** developed and rolled out a new financial framework for inter-divisional teaching (IDT) that provides stable, predictable funding for IDT activity, and incorporates a series of bi-lateral discussions of IDT arrangements within the existing annual budget planning process.

Appendix B:
Budget 2020–21 Financial Schedules

Schedule 1: Projection of Operating Revenues and Expenses ($ millions) **2020–21 to 2024–25**

Projection of Operating Revenues	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Student Fees	$1,735.4	$1,943.1	$2,073.9	$2,181.6	$2,279.6	$2,364.5
Prov. Gov't Grants for General Operations	667.8	666.2	665.6	665.4	665.3	665.3
Subtotal: Grants and Student Fees	**2,403.2**	**2,609.2**	**2,739.5**	**2,847.0**	**2,944.9**	**3,029.8**
Investment Income: Endowments	65.9	67.9	68.9	70.1	71.0	71.9
Investment Income: Other	67.5	66.7	75.2	85.9	89.9	90.5
Sales, Services & Sundry Income	132.0	144.4	147.2	150.0	152.9	155.9
Subtotal: Operating Revenue	**2,668.5**	**2,888.2**	**3,030.8**	**3,153.0**	**3,258.6**	**3,348.0**
Recovery from Canada Research Chair Grants	42.5	44.8	44.8	45.1	44.9	44.0
Recovery of Institutional Costs of Research	57.0	57.7	59.6	59.1	56.7	56.1
Total: Operating Revenues and Recoveries	**2,768.0**	**2,990.7**	**3,135.2**	**3,257.2**	**3,360.2**	**3,448.1**

Projection of Operating Expenses	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Shared Service and Campus Costs	596.2	660.6	686.7	707.3	728.4	749.1
Pension Deficit Funding	117.2	122.2	127.2	132.2	137.2	137.2
U-W costs offset by shared services income	130.9	141.6	144.4	147.2	150.1	153.0
Sub-total, University-wide Costs	**844.3**	**924.4**	**958.3**	**986.7**	**1,015.7**	**1,039.3**
Academic Expense Budgets (Excl St. Aid)	1,638.1	1,748.1	1,841.6	1,911.9	1,960.5	2,017.8
Student Aid Expenditures	247.1	258.1	281.8	307.2	334.7	344.4
University Fund (unallocated portion)	6.4	26.0	18.9	15.9	13.6	11.4
Flow-through to Other Institutions	32.1	34.2	34.6	35.5	35.6	35.2
Total: Operating Expenses	**2,768.0**	**2,990.7**	**3,135.2**	**3,257.2**	**3,360.2**	**3,448.1**

Schedule 2: Details of Operating Grants and Student Fees ($ millions) — 2020–21 to 2024–25

Prov. Gov't Grants for General Operations	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Enrolment Based Funding	592.5	480.7	411.7	342.8	273.8	239.3
Performance Based Funding	65.5	177.3	246.3	315.3	384.2	418.7
Clinical Education	4.0	4.0	4.0	4.0	4.0	4.0
Ontario Graduate Scholarships	**10.1**	**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	4.9	4.9	4.9	5.0	5.0	5.1
International Student Recovery	(13.7)	(15.4)	(15.9)	(16.2)	(16.4)	(16.5)
Accessibility for Students with Disabilities	2.8	2.9	2.9	2.9	2.9	2.9
Total, Gov't Grants for General Operations	**667.8**	**666.2**	**665.6**	**665.4**	**665.3**	**665.3**

Student Fees	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
For-Credit Tuition Fees	1,517.0	1,716.1	1,842.2	1,945.2	2,038.2	2,118.2
Continuing / Exec.Ed Tuition & Ancillary Fees	218.4	227.0	231.6	236.4	241.3	246.3
Total: Student Fees	**1,735.4**	**1,943.1**	**2,073.9**	**2,181.6**	**2,279.6**	**2,364.5**

Schedule 3: Details of Univ-Wide Costs and Student Aid Expense ($ millions) **2020–21 to 2024–25**

University-Wide Costs	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Occupancy	186.7	218.8	227.0	236.6	246.0	253.8
Information Technology	44.9	45.9	49.3	51.7	53.6	56.3
University Management	31.1	36.6	38.8	40.1	41.7	43.3
Financial Management	12.5	13.3	14.0	14.7	15.1	15.6
Human Resources	21.4	22.8	23.8	24.4	25.1	25.8
University Advancement	27.5	30.1	32.0	32.6	33.6	34.6
Central Library	112.7	117.4	121.2	124.1	127.1	130.3
Research Administration	27.2	32.6	34.4	34.7	35.7	36.8
Registrarial & Student Services	43.6	52.2	54.1	55.4	56.8	58.3
University-wide Academic	35.5	30.9	31.5	31.5	31.5	31.5
University-wide General	36.7	43.1	43.5	43.8	44.1	44.5
Federated Block Grant	16.4	16.8	17.3	17.7	18.1	18.6
Sub-total	**596.2**	**660.6**	**686.7**	**707.3**	**728.4**	**749.1**
Pension Special Payments	117.2	122.2	127.2	132.2	137.2	137.2
U-W costs offset by shared services income	130.9	141.6	144.4	147.2	150.1	153.0
Total: University Wide Costs	**844.3**	**924.4**	**958.3**	**986.7**	**1,015.7**	**1,039.3**

Student Aid Expenditures	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
UofT Adv. Planning for Students (UTAPS)	39.9	40.0	41.9	44.0	46.1	48.3
Other Need-based Aid (incl Work Study)	8.6	9.7	9.9	10.1	10.0	10.0
Scholarships	12.9	15.2	16.4	17.8	19.6	21.7
Student Aid from Endowments	26.1	27.0	27.6	28.2	28.7	29.2
International Scholars	-	14.7	32.3	51.5	72.8	75.8
Subtotal, Undergraduate	**87.5**	**106.6**	**128.1**	**151.6**	**177.2**	**185.0**
Provincial Scholarship Grants	11.9	11.9	11.9	11.9	11.9	11.9
Student Aid from Endowments	21.8	22.6	23.1	23.7	24.1	24.5
Student Aid Matching Funds	1.3	1.4	1.4	1.4	1.5	1.5
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	**40.5**	**41.4**	**41.9**	**42.5**	**42.9**	**43.3**
Student Aid in Acad Divisions	119.2	110.1	111.7	113.2	114.6	116.0
Total: Student Aid Expense	**247.1**	**258.1**	**281.8**	**307.2**	**334.7**	**344.4**

Schedule 4: Revenue and Expense Allocations by Division 2020–21

	Attributed Operating Revenue	University Fund Allocation	Share of University Wide Expense	Student Aid Set-Aside	Academic Net Expense Budget
	A	B	C	D	(E=A+B-C-D)
Arts & Science	715,203,036	95,385,612	227,545,895	48,639,093	534,403,661
UofT Scarborough	300,096,867	23,975,935	45,790,423	16,638,327	261,644,052
UofT Mississauga	337,989,578	26,254,553	50,030,710	18,173,593	296,039,828
Dentistry	31,247,543	16,197,625	13,968,803	718,177	32,758,188
Medicine	209,268,410	34,650,920	92,295,333	15,726,652	135,897,344
Public Health	27,124,970	11,183,971	11,470,774	1,165,301	25,672,866
Nursing	18,076,928	3,937,466	6,165,535	1,629,960	14,218,898
Pharmacy	30,980,168	2,636,303	10,789,823	1,328,778	21,497,870
Kinesiology and Physical Education	15,616,102	5,182,982	6,679,117	1,428,388	12,691,579
Applied Science & Engineering	208,070,895	30,321,916	82,258,808	17,749,925	138,384,079
Architecture, Landscape & Design	31,721,168	11,037,847	11,207,830	2,191,856	29,359,329
OISE	69,741,938	19,270,716	26,641,913	2,514,917	59,855,824
Law	30,430,105	8,158,520	9,445,825	1,977,246	27,165,554
Information	22,174,610	4,066,894	5,969,127	632,499	19,639,878
Music	18,080,760	11,367,757	7,902,281	2,390,357	19,155,879
Social Work	13,380,867	3,027,354	4,783,135	1,151,263	10,473,823
Management	109,532,073	13,587,635	28,728,461	4,967,825	89,423,422
Transitional Year Programme	726,875	1,915,552	452,051	447,363	1,743,013
School of Continuing Studies	(3,635,512)	2,894,506	3,003,910	14,370	(3,759,287)
Subtotal	**2,185,827,382**	**325,054,065**	**645,129,754**	**139,485,892**	**1,726,265,801**
Divisional Income	375,630,386	-	141,588,527	-	234,041,859
Campus Costs and Divisional Aid	-	-	137,633,839	110,088,215	(247,722,054)
Recovery from Restricted Funds	34,019,347	-	-	8,519,347	25,500,000
Uncommitted Revenues	16,335,271	-	-	-	16,335,271
University Fund	344,681,930	(325,054,065)	-	-	19,627,864
Subtotal (excl flow-through)	**2,956,494,316**	**-**	**924,352,121**	**258,093,453**	**1,774,048,742**
Flow-through to Other Institutions	34,181,620	-	-	-	34,181,620
Total	**2,990,675,936**	**-**	**924,352,121**	**258,093,453**	**1,808,230,361**

Schedule 5: Projected Divisional Net Revenue Allocations 2020–21 to 2024–25

Arts & Science	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	672,262,972	715,203,036	759,447,207	798,891,519	833,330,940	858,754,707
University Fund Allocation[2]	59,406,642	95,385,612	95,385,612	95,385,612	95,385,612	95,385,612
University-Wide Costs	(214,458,645)	(227,545,895)	(237,061,163)	(244,684,314)	(252,926,842)	(258,876,148)
Student Aid Expense	(39,554,786)	(48,639,093)	(58,000,695)	(68,668,980)	(80,242,512)	(83,551,446)
Net Expense Budget	**477,656,184**	**534,403,661**	**559,770,962**	**580,923,837**	**595,547,198**	**611,712,725**

UTSC	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	288,234,027	300,096,867	326,119,148	345,265,846	367,101,221	381,471,720
University Fund Allocation[2]	10,139,898	23,975,935	23,975,935	23,975,935	23,975,935	23,975,935
University-Wide Costs	(42,947,321)	(45,790,423)	(48,066,647)	(50,024,059)	(51,778,464)	(53,491,690)
Student Aid Expense	(13,206,141)	(16,638,327)	(21,112,816)	(26,031,062)	(31,793,459)	(33,578,711)
Net Expense Budget	**242,220,463**	**261,644,052**	**280,915,620**	**293,186,660**	**307,505,233**	**318,377,254**

UTM	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	324,348,706	337,989,578	361,866,568	372,996,946	388,194,894	400,580,364
University Fund Allocation[2]	11,105,526	26,254,553	26,254,553	26,254,553	26,254,553	26,254,553
University-Wide Costs	(46,996,425)	(50,030,710)	(52,686,631)	(54,419,169)	(55,598,912)	(56,746,439)
Student Aid Expense	(14,003,015)	(18,173,593)	(22,861,242)	(27,566,849)	(32,972,370)	(34,548,481)
Net Expense Budget	**274,454,792**	**296,039,828**	**312,573,249**	**317,265,482**	**325,878,166**	**335,539,997**

Dentistry	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	32,891,798	31,247,543	31,885,036	32,431,281	32,852,162	33,299,944
University Fund Allocation[2]	12,954,143	16,197,625	16,197,625	16,197,625	16,197,625	16,197,625
University-Wide Costs	(13,379,001)	(13,968,803)	(14,509,354)	(14,981,471)	(15,444,692)	(15,707,107)
Student Aid Expense	(693,691)	(718,177)	(729,878)	(745,396)	(753,943)	(763,625)
Net Expense Budget	**31,773,249**	**32,758,188**	**32,843,430**	**32,902,039**	**32,851,152**	**33,026,838**

1. Revenue includes 90% of attributable general operating revenues, but excludes divisional income and recoveries from restricted funds
2. Includes allocations up to and including 2020-21. Flatlined for outer years.

Medicine	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	213,654,778	209,268,410	213,709,883	216,524,230	218,509,794	220,583,540
University Fund Allocation[2]	20,511,956	34,650,920	34,650,920	34,650,920	34,650,920	34,650,920
University-Wide Costs	(86,786,330)	(92,295,333)	(95,608,182)	(97,997,586)	(100,473,311)	(102,312,446)
Student Aid Expense	(15,399,314)	(15,726,652)	(15,979,338)	(16,236,337)	(16,436,088)	(16,629,359)
Net Expense Budget	**131,981,089**	**135,897,344**	**136,773,283**	**136,941,226**	**136,251,315**	**136,292,654**

DLSPH	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	27,594,490	27,124,970	27,646,498	28,346,895	28,972,967	29,397,713
University Fund Allocation[2]	8,206,141	11,183,971	11,183,971	11,183,971	11,183,971	11,183,971
University-Wide Costs	(10,403,105)	(11,470,774)	(11,928,667)	(12,253,482)	(12,633,404)	(12,917,288)
Student Aid Expense	(1,103,597)	(1,165,301)	(1,193,575)	(1,218,989)	(1,244,752)	(1,249,271)
Net Expense Budget	**24,293,929**	**25,672,866**	**25,708,228**	**26,058,395**	**26,278,782**	**26,415,125**

Nursing	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	18,058,855	18,076,928	18,257,129	18,543,155	18,801,632	19,090,772
University Fund Allocation[2]	2,814,486	3,937,466	3,937,466	3,937,466	3,937,466	3,937,466
University-Wide Costs	(5,694,507)	(6,165,535)	(6,407,651)	(6,520,281)	(6,713,315)	(6,836,795)
Student Aid Expense	(1,572,184)	(1,629,960)	(1,672,547)	(1,722,183)	(1,760,629)	(1,804,396)
Net Expense Budget	**13,606,650**	**14,218,898**	**14,114,397**	**14,238,158**	**14,265,154**	**14,387,047**

Pharmacy	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	31,756,340	30,980,168	31,966,910	32,920,972	33,534,890	34,200,272
University Fund Allocation[2]	772,996	2,636,303	2,636,303	2,636,303	2,636,303	2,636,303
University-Wide Costs	(10,468,288)	(10,789,823)	(11,172,910)	(11,530,474)	(11,906,461)	(12,178,078)
Student Aid Expense	(1,950,880)	(1,328,778)	(1,354,290)	(1,386,476)	(1,411,412)	(1,436,625)
Net Expense Budget	**20,110,168**	**21,497,870**	**22,076,014**	**22,640,324**	**22,853,320**	**23,221,872**

1. Revenue includes 90% of attributable general operating revenues, but excludes divisional income and recoveries from restricted funds
2. Includes allocations up to and including 2020-21. Flatlined for outer years.

Schedule 5: Projected Divisional Net Revenue Allocations Cont'd — 2020–21 to 2024–25

KPE	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	16,330,304	15,616,102	16,097,799	16,603,336	16,912,206	17,314,135
University Fund Allocation[2]	3,251,836	5,182,982	5,182,982	5,182,982	5,182,982	5,182,982
University-Wide Costs	(6,385,503)	(6,679,117)	(6,802,410)	(6,975,172)	(7,207,309)	(7,358,891)
Student Aid Expense	(1,382,209)	(1,428,388)	(1,454,121)	(1,505,434)	(1,542,811)	(1,593,531)
Net Expense Budget	**11,814,428**	**12,691,579**	**13,024,250**	**13,305,711**	**13,345,067**	**13,544,693**

APSE	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	196,598,639	208,070,895	214,822,965	219,603,516	220,069,725	221,969,459
University Fund Allocation[2]	19,372,822	30,321,916	30,321,916	30,321,916	30,321,916	30,321,916
University-Wide Costs	(75,822,728)	(82,258,808)	(85,420,101)	(87,724,960)	(90,208,136)	(91,783,905)
Student Aid Expense	(15,703,617)	(17,749,925)	(19,592,659)	(21,433,356)	(23,098,605)	(23,575,770)
Net Expense Budget	**124,445,116**	**138,384,079**	**140,132,121**	**140,767,116**	**137,084,900**	**136,931,700**

Architecture, L & D	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	32,664,854	31,721,168	33,593,230	35,868,518	37,845,077	38,675,543
University Fund Allocation[2]	8,139,255	11,037,847	11,037,847	11,037,847	11,037,847	11,037,847
University-Wide Costs	(10,891,488)	(11,207,830)	(11,636,373)	(12,059,985)	(12,562,381)	(12,932,150)
Student Aid Expense	(2,176,925)	(2,191,856)	(2,251,463)	(2,350,786)	(2,454,445)	(2,537,476)
Net Expense Budget	**27,735,697**	**29,359,329**	**30,743,241**	**32,495,594**	**33,866,097**	**34,243,765**

OISE	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	69,818,449	69,741,938	74,173,131	78,255,941	83,747,003	88,917,841
University Fund Allocation[2]	15,324,006	19,270,716	19,270,716	19,270,716	19,270,716	19,270,716
University-Wide Costs	(25,030,859)	(26,641,913)	(28,012,660)	(29,529,331)	(30,935,835)	(32,180,810)
Student Aid Expense	(2,554,539)	(2,514,917)	(2,615,116)	(2,723,345)	(2,825,449)	(2,925,466)
Net Expense Budget	**57,557,058**	**59,855,824**	**62,816,070**	**65,273,980**	**69,256,435**	**73,082,280**

1. Revenue includes 90% of attributable general operating revenues, but excludes divisional income and recoveries from restricted funds
2. Includes allocations up to and including 2020-21. Flatlined for outer years.

Law	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	30,727,981	30,430,105	31,506,739	32,843,031	33,677,176	34,528,867
University Fund Allocation[2]	6,204,453	8,158,520	8,158,520	8,158,520	8,158,520	8,158,520
University-Wide Costs	(8,994,144)	(9,445,825)	(9,844,285)	(10,144,726)	(10,501,349)	(10,690,956)
Student Aid Expense	(1,817,500)	(1,977,246)	(2,014,315)	(2,061,268)	(2,096,744)	(2,132,750)
Net Expense Budget	**26,120,790**	**27,165,554**	**27,806,659**	**28,795,556**	**29,237,604**	**29,863,681**

Information	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	18,659,403	22,174,610	23,930,153	25,741,872	27,006,661	27,609,133
University Fund Allocation[2]	3,002,772	4,066,894	4,066,894	4,066,894	4,066,894	4,066,894
University-Wide Costs	(5,151,115)	(5,969,127)	(6,624,341)	(6,994,768)	(7,326,870)	(7,556,270)
Student Aid Expense	(574,587)	(632,499)	(741,689)	(838,345)	(902,282)	(919,046)
Net Expense Budget	**15,936,473**	**19,639,878**	**20,631,016**	**21,975,653**	**22,844,402**	**23,200,711**

Music	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	18,410,356	18,080,760	18,318,671	18,776,988	19,131,010	19,384,714
University Fund Allocation[2]	9,826,392	11,367,757	11,367,757	11,367,757	11,367,757	11,367,757
University-Wide Costs	(7,453,017)	(7,902,281)	(8,203,313)	(8,420,540)	(8,687,826)	(8,854,473)
Student Aid Expense	(2,337,154)	(2,390,357)	(2,420,624)	(2,476,098)	(2,512,634)	(2,557,736)
Net Expense Budget	**18,446,576**	**19,155,879**	**19,062,491**	**19,248,106**	**19,298,307**	**19,340,262**

1. Revenue includes 90% of attributable general operating revenues, but excludes divisional income and recoveries from restricted funds
2. Includes allocations up to and including 2020-21. Flatlined for outer years.

Schedule 5: Projected Divisional Net Revenue Allocations Cont'd — 2020–21 to 2024–25

Social Work	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	13,414,746	13,380,867	14,028,408	14,232,529	14,429,649	14,645,004
University Fund Allocation[2]	1,672,247	3,027,354	3,027,354	3,027,354	3,027,354	3,027,354
University-Wide Costs	(4,369,029)	(4,783,135)	(4,911,933)	(5,055,833)	(5,171,171)	(5,267,055)
Student Aid Expense	(1,147,034)	(1,151,263)	(1,170,659)	(1,192,031)	(1,209,658)	(1,226,774)
Net Expense Budget	**9,570,929**	**10,473,823**	**10,973,169**	**11,012,019**	**11,076,173**	**11,178,530**

Management	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	107,070,950	109,532,073	113,053,830	117,232,068	120,717,918	124,224,290
University Fund Allocation[2]	8,371,047	13,587,635	13,587,635	13,587,635	13,587,635	13,587,635
University-Wide Costs	(26,985,087)	(28,728,461)	(29,616,965)	(30,359,445)	(31,198,837)	(31,722,582)
Student Aid Expense	(4,137,414)	(4,967,825)	(5,720,842)	(6,521,784)	(7,354,390)	(7,632,459)
Net Expense Budget	**84,319,496**	**89,423,422**	**91,303,657**	**93,938,473**	**95,752,326**	**98,456,883**

Trans. Year. Prog.	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	786,865	726,875	744,776	762,342	777,567	792,555
University Fund Allocation[2]	1,718,142	1,915,552	1,915,552	1,915,552	1,915,552	1,915,552
University-Wide Costs	(518,034)	(452,051)	(527,375)	(539,987)	(555,390)	(564,115)
Student Aid Expense	(444,156)	(447,363)	(457,392)	(468,575)	(477,575)	(486,954)
Net Expense Budget	**1,542,817**	**1,743,013**	**1,675,562**	**1,669,332**	**1,660,155**	**1,657,038**

School of Cont. Studies	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Attributed Revenue[1]	(2,214,531)	(3,635,512)	(3,705,975)	(3,757,927)	(3,839,395)	(3,948,994)
University Fund Allocation[2]	1,643,131	2,894,506	2,894,506	2,894,506	2,894,506	2,894,506
University-Wide Costs	(2,836,941)	(3,003,910)	(3,140,739)	(3,257,955)	(3,379,323)	(3,447,728)
Student Aid Expense	(13,832)	(14,370)	(14,665)	(15,018)	(15,283)	(15,548)
Net Expense Budget	**(3,422,174)**	**(3,759,287)**	**(3,966,874)**	**(4,136,395)**	**(4,339,496)**	**(4,517,765)**

1. Revenue includes 90% of attributable general operating revenues, but excludes divisional income and recoveries from restricted funds
2. Includes allocations up to and including 2020-21. Flatlined for outer years.

UNIVERSITY OF TORONTO

BOUNDLESS

Budget 2020-21

and Long Range Budget Guidelines
2020-21 to 2024-25

UNIVERSITY OF TORONTO

KEY BUDGET PRIORITIES

1

STUDENTS

STUDENT MENTAL HEALTH

Mental health service redesign, expanded counselling options for students, mental health literacy and education, research focus on youth mental health

UNDERGRADUATE EDUCATION

Experiential learning, work-integrated learning, and research experiences; academic advising and student success initiatives; support for outbound global experiences; financial framework for inter-divisional teaching.

STUDENT SPACES

Renewal of classroom infrastructure, upgrading facilities for AODA compliance, and creating non-academic and co-curricular spaces for student use.

GRADUATE EDUCATION

Continue to increase base funding packages in many divisions; Centre for Graduate Mentorship and Supervision; Graduate Centre for Professional Development; support for students to improve time to completion

STRUCTURAL BUDGET SUPPORT

University Fund allocation to improve financial stability of academic divisions and maintain quality of programs and services for all students

2

DIVERSITY

KEY BUDGET PRIORITIES

FACULTY HIRING

University Fund allocation to support hiring of diverse faculty - additional 20 positions will bring total to 100 new black and indigenous faculty members

POST-DOCTORAL FELLOWS

Provost's post-doctoral fellowships for Black and Indigenous scholars

OUTREACH AND ACCESS PROGRAMS

Building connections to underrepresented communities and increasing diversity in admissions to undergraduate and professional programs (e.g. MD, Law)

STUDENT AID

Significant new investment in scholarships to increase geographic and socio-economic diversity of our student population

GENDER PAY EQUITY

Funding for the cost of salary increases to address a wage gap for women and gender X faculty and librarians.

KEY BUDGET PRIORITIES

3

RESEARCH EXCELLENCE

INSTITUTIONAL STRATEGIC INITIATIVES

Investment of central and divisional operating reserves to provide seed funding for large-scale, interdisciplinary Institutional Strategic Initiatives (ISIs)

BUDGET SUPPORT FOR INDIRECT COSTS OF RESEARCH

University Fund allocation to offset the additional indirect costs of research incurred by divisions who have been successful in attracting additional tri-council funding

CAPITAL INVESTMENTS

Major capital investments, including space for research and innovation. New research facilities and improvements to existing labs to attract world class researchers

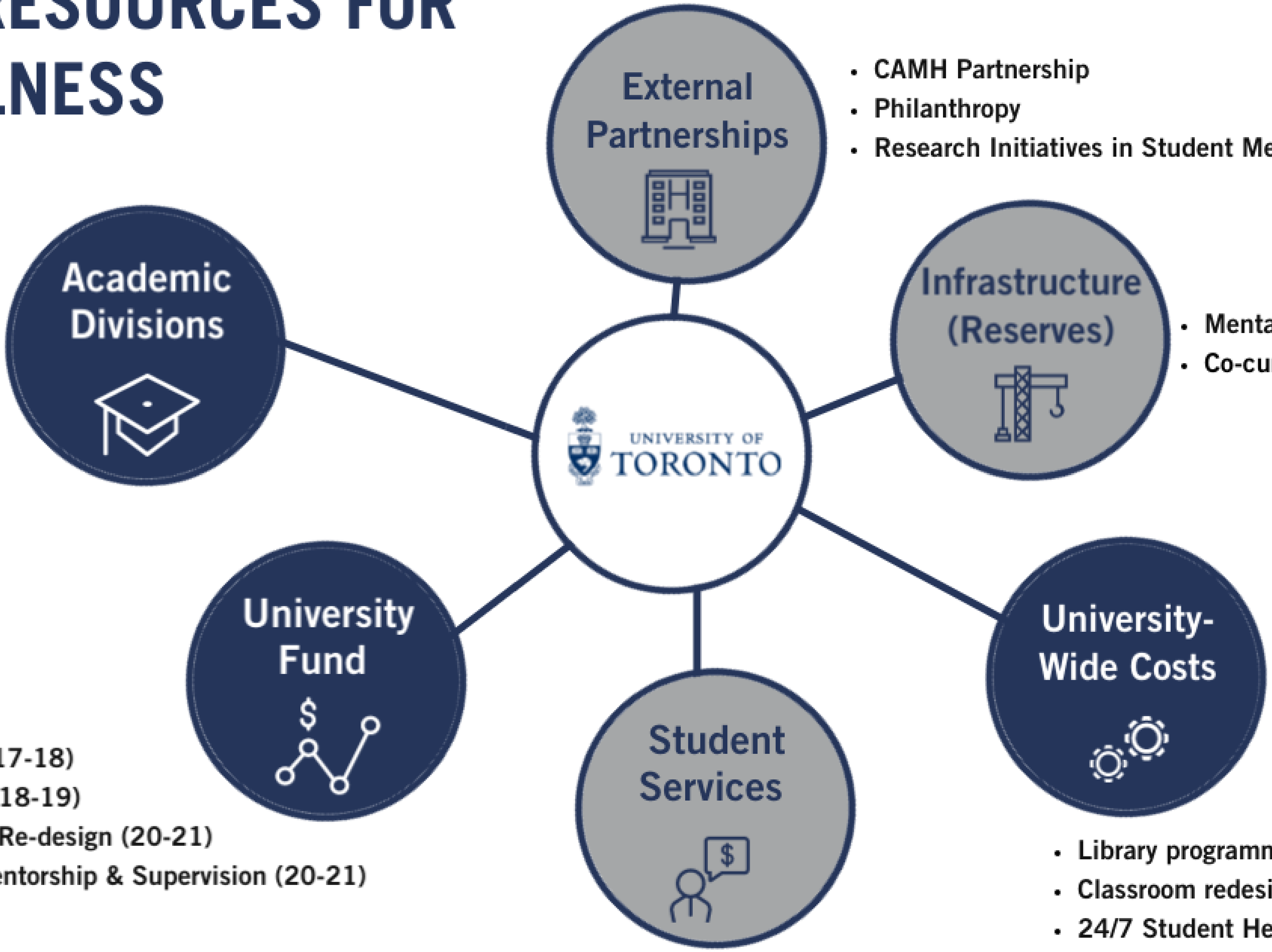
LIBRARY RESOURCES AND SERVICES

Funding to maintain our world-class library collection; new digital scholarship centre to support large-scale textual analysis and open new avenues of scholarly enquiry

RESEARCH ADMINISTRATION

Staffing to support the increase in volume of industry partnerships and patent applications, and respond to escalating compliance requirements and reporting accountabilities

MARSHALING RESOURCES FOR STUDENT WELLNESS



External Partnerships
- CAMH Partnership
- Philanthropy
- Research Initiatives in Student Mental Health

Academic Divisions
- Divisional student services
- Curriculum review
- Academic advising
- Culture of caring
- Education and outreach

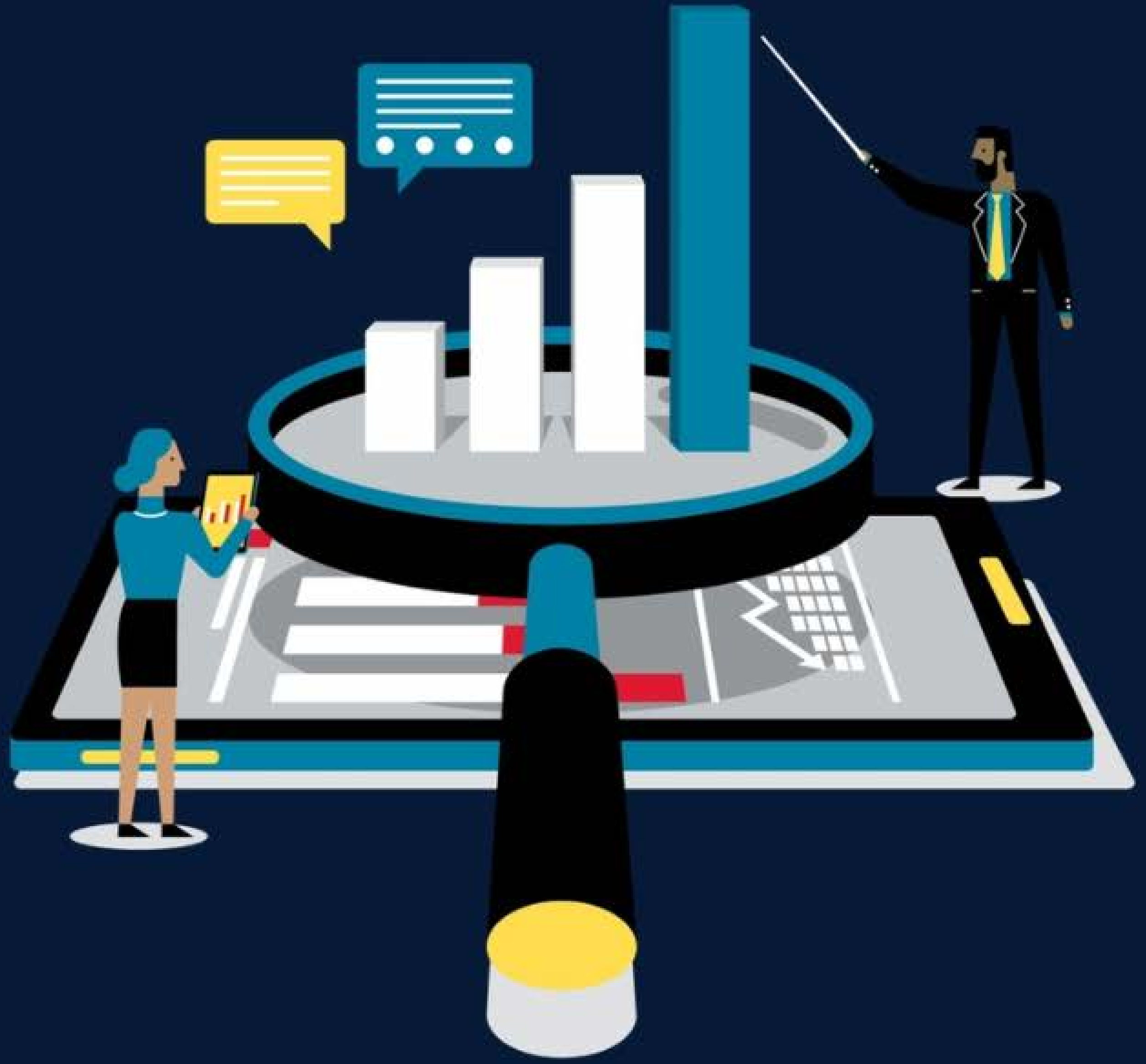
Infrastructure (Reserves)
- Mental Health Facilities
- Co-curricular Spaces

University Fund
- Wellness Counsellors (17-18)
- Accessibility Advisors (18-19)
- Mental Health Service Re-design (20-21)
- Centre for Graduate Mentorship & Supervision (20-21)

University-Wide Costs
- Library programming & spaces
- Classroom redesign
- 24/7 Student Helpline

Student Services
- Funding for Student Services
- Athletics and Recreation

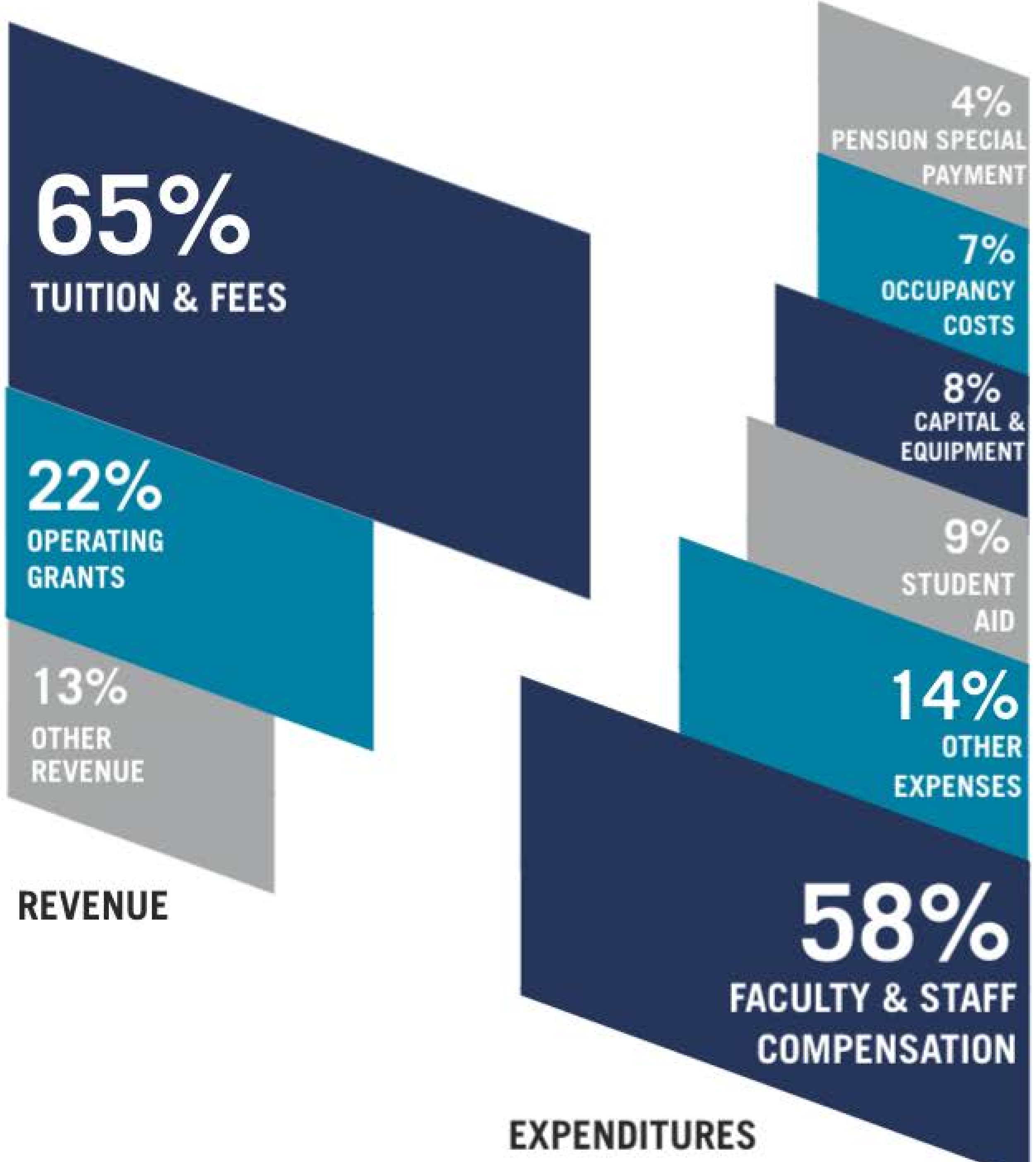
1 Budget Overview



2020-21

Balanced Budget

$2.99 BILLION



PROJECTED REVENUE GROWTH RATES

IS OUR REVENUE GROWTH COVERING OUR COSTS?

AVERAGE REVENUE INCREASE

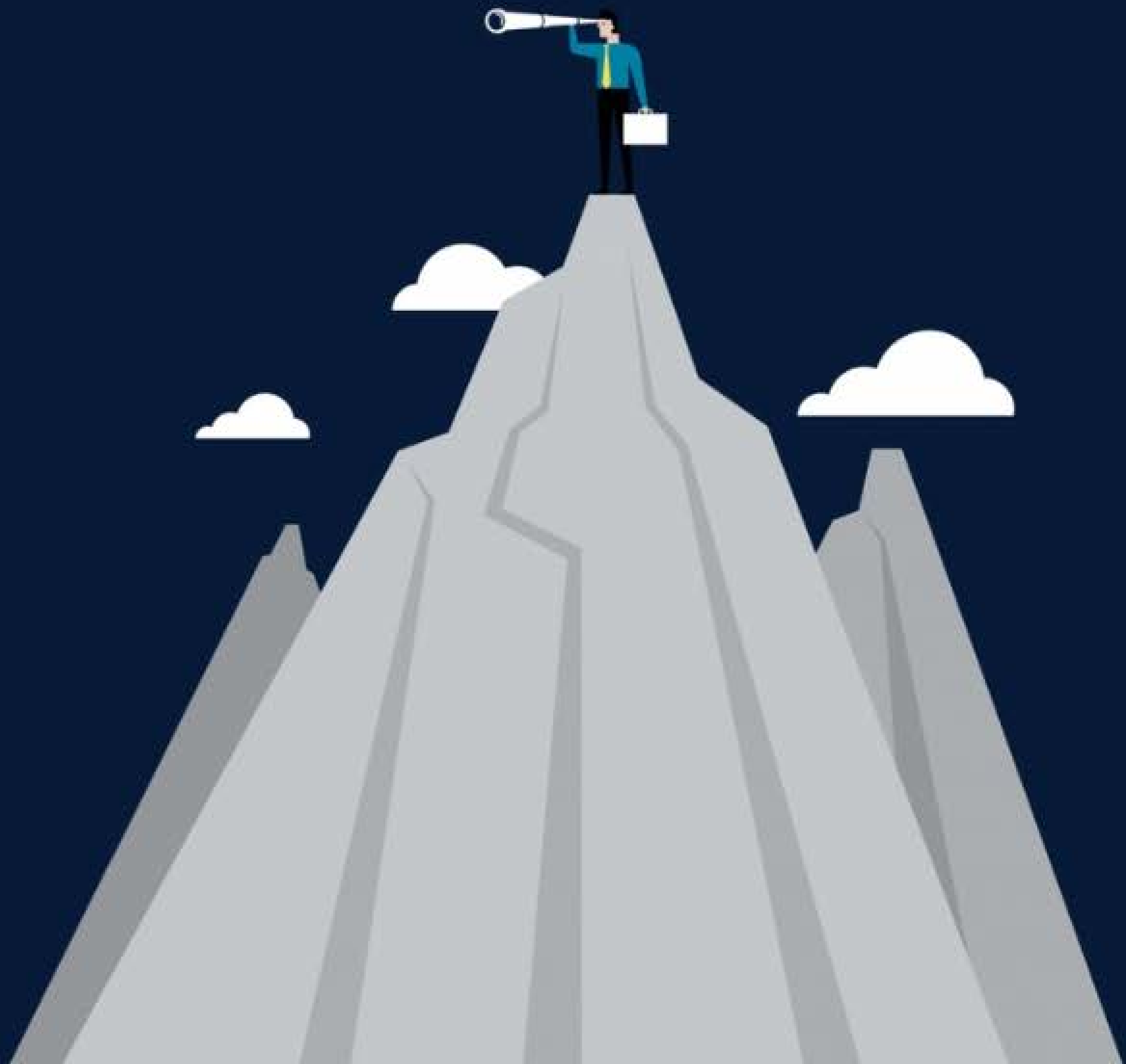
8.0%

EVEN THOUGH THE AVERAGE GROWTH RATE IS 8.0%, THERE IS A WIDE RANGE IN BUDGET CHANGES BY DIVISION.

RANGE OF DIVISIONAL REVENUE GROWTH RATES

-2% ⇄ **20%**

2 Changing Financial Landscape



PROVINCIAL TUITION FEE FRAMEWORK

-10%

DOMESTIC TUITION DECREASE IN 2019-20 FOR ALL PUBLICLY FUNDED PROGRAMS

20/21 Tuition Freeze

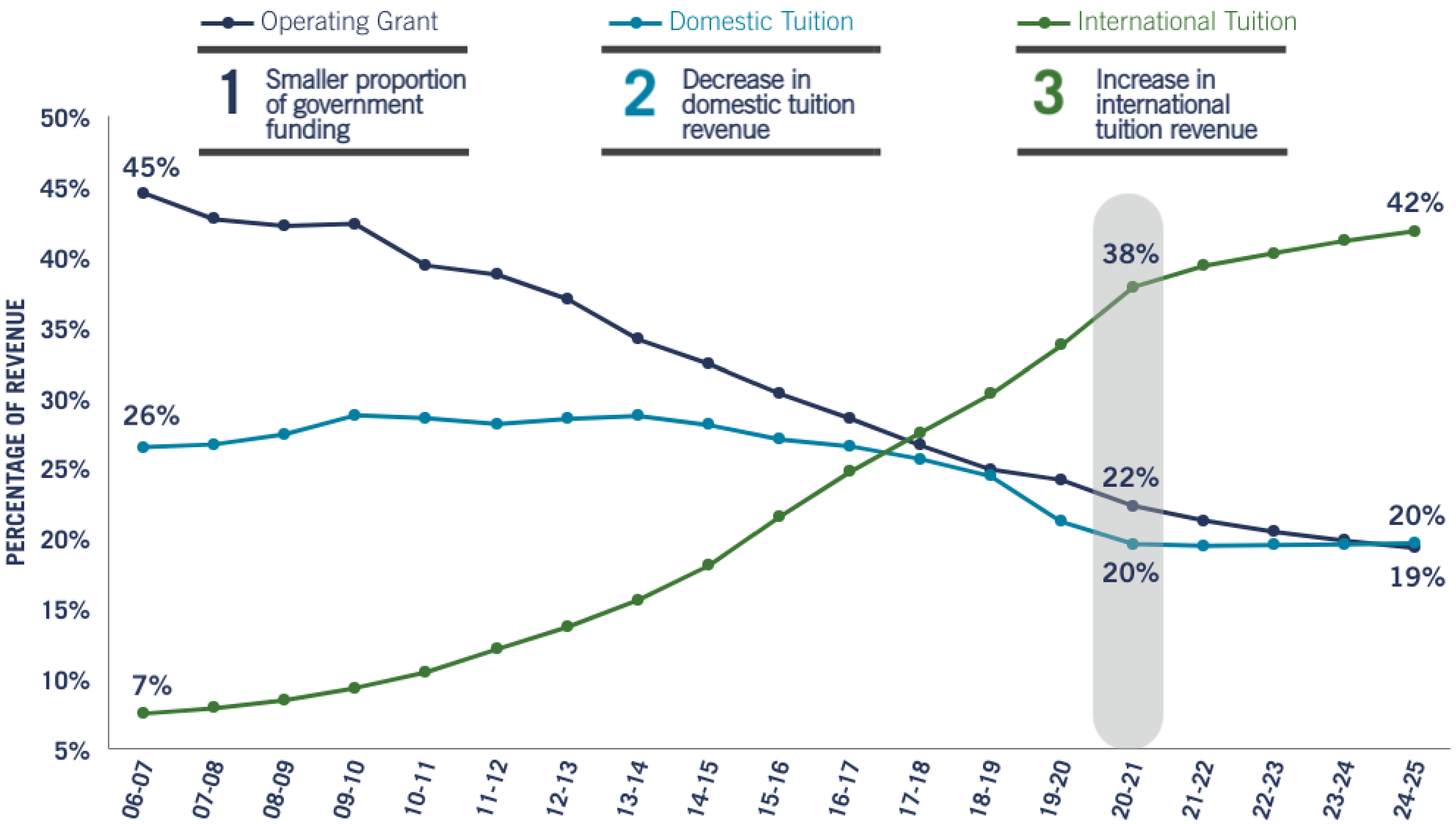
DOMESTIC TUITION FOR ALL PROGRAMS WILL REMAIN UNCHANGED AT 2019/20 RATES

$113 MILLION

LOST REVENUE

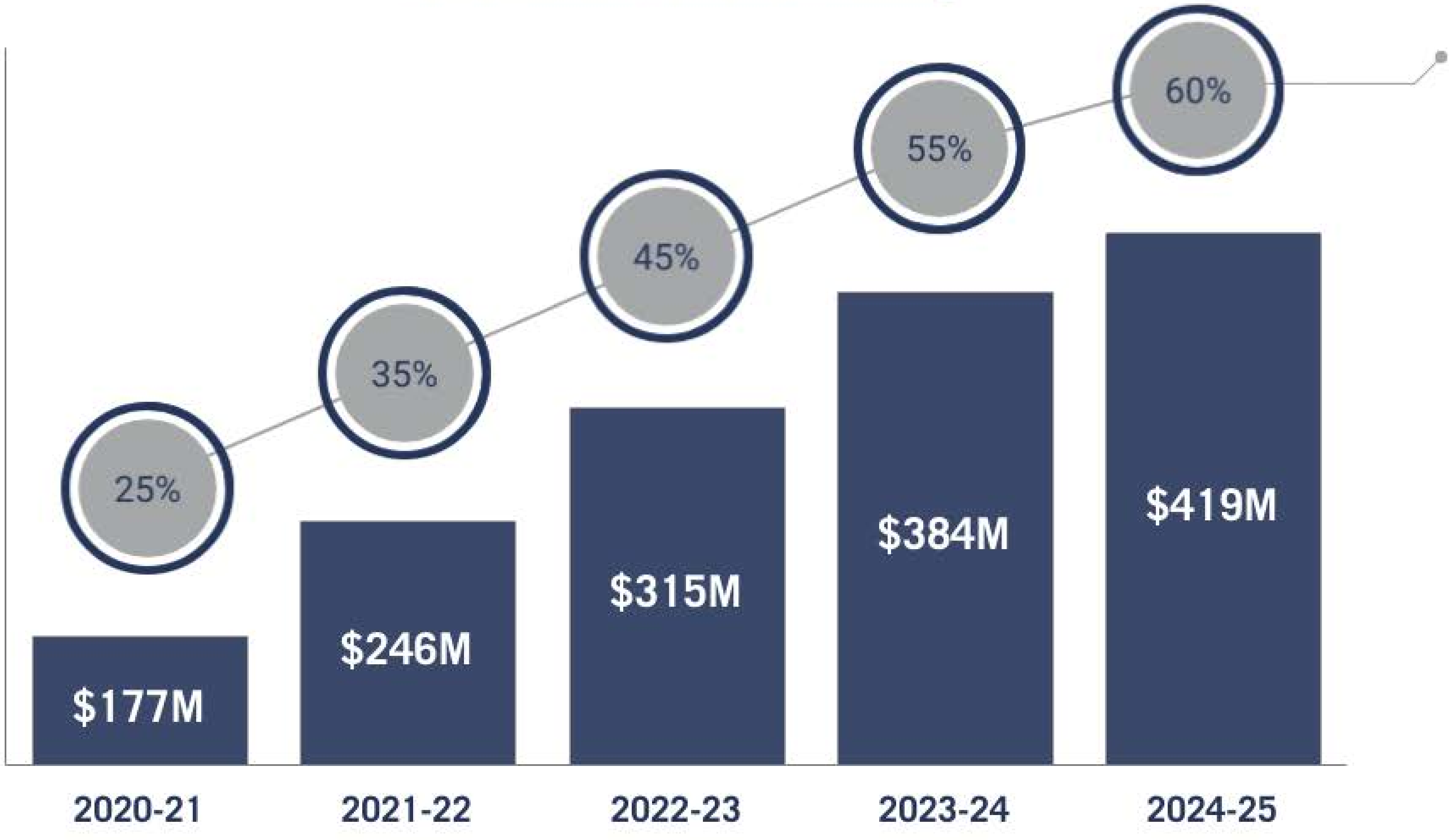
IN 2020-21 COMPARED TO PREVIOUS FEE FRAMEWORK (3% ANNUALLY)

Change in Sources of Revenue



STRATEGIC MANDATE AGREEMENT

Performance-Based Funding



Represents % of total provincial funding. The SMA3 will phase in the proportion of funding tied to metrics throughout the term of the agreement.

PERFORMANCE WILL BE MEASURED ACROSS 10 INDICATORS:

6 — SKILLS & JOB OUTCOMES

4 — ECONOMIC & COMMUNITY IMPACT

3 Students: Affordability, Access & Outcomes

UNDERGRADUATE ENROLMENT RESULTS

PLAN	FALL 2019	ACTUAL
37,924	ST. GEORGE	39,007
12,761	UTM	12,938
11,357	UTSC	11,182

TOTAL ENROLMENT 2019-20

63,127

Total undergraduate enrolment including both domestic and international students.

VARIANCE TO PLAN

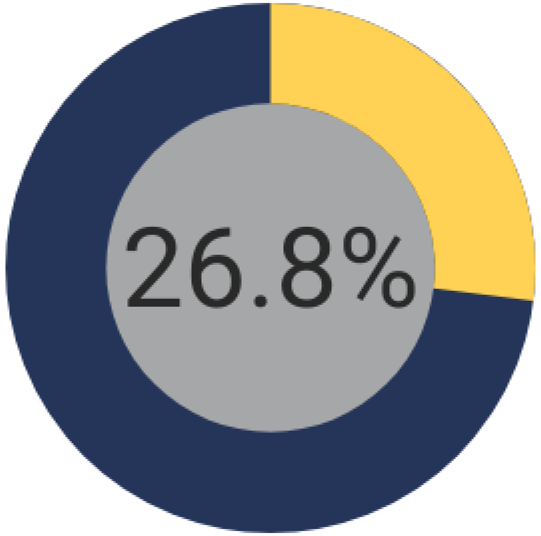
+ 1,085

2019 - 2024

PLANNED INTERNATIONAL SHARE OF TOTAL

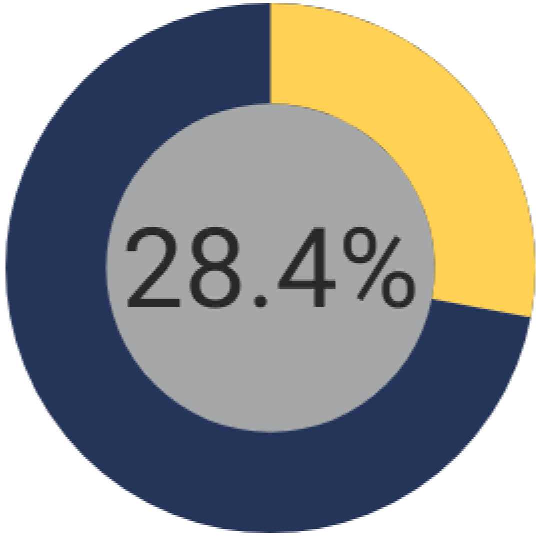
UNDERGRADUATE

ENROLMENT



2019-20

Total international student FTE is **16,928**

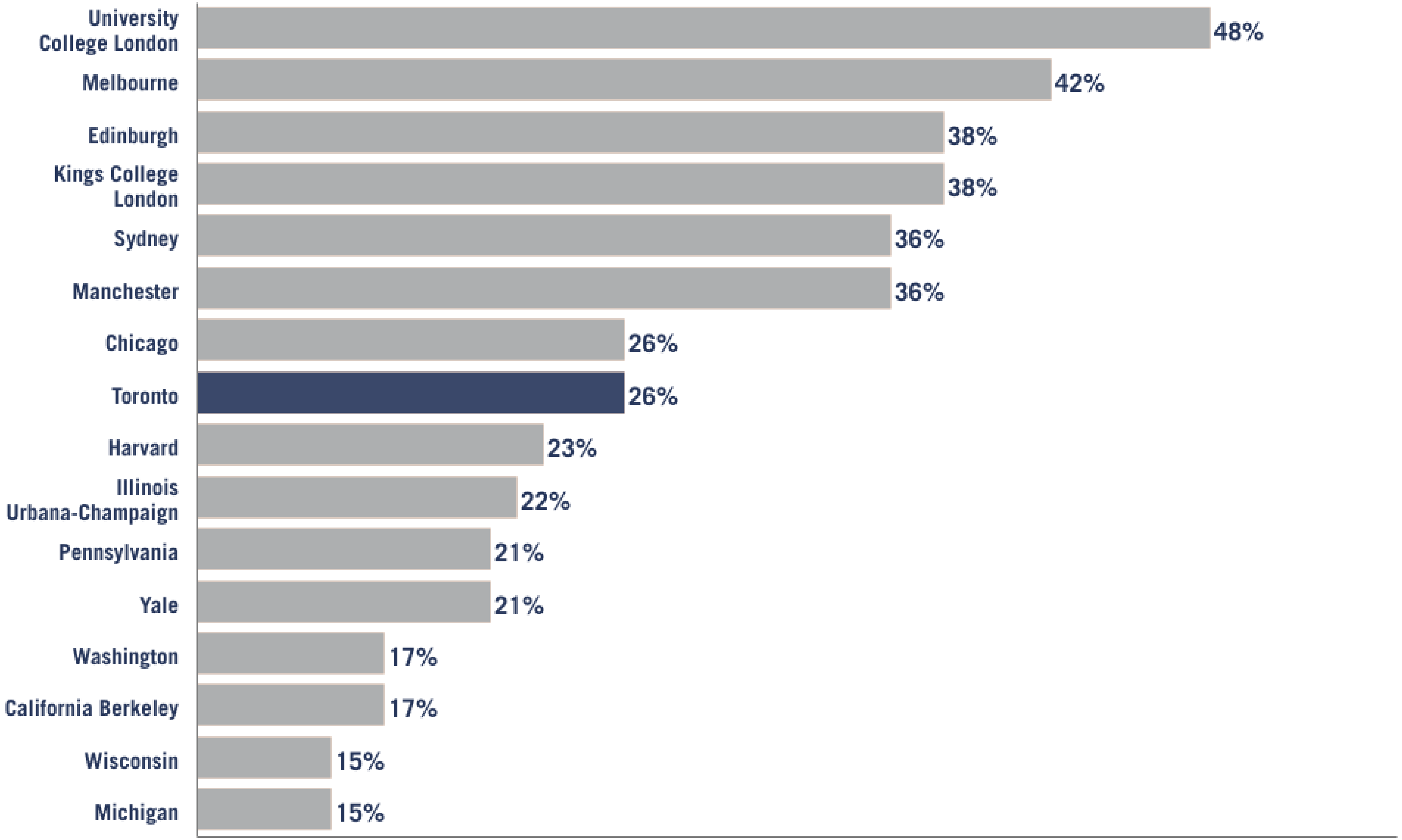


2024-25

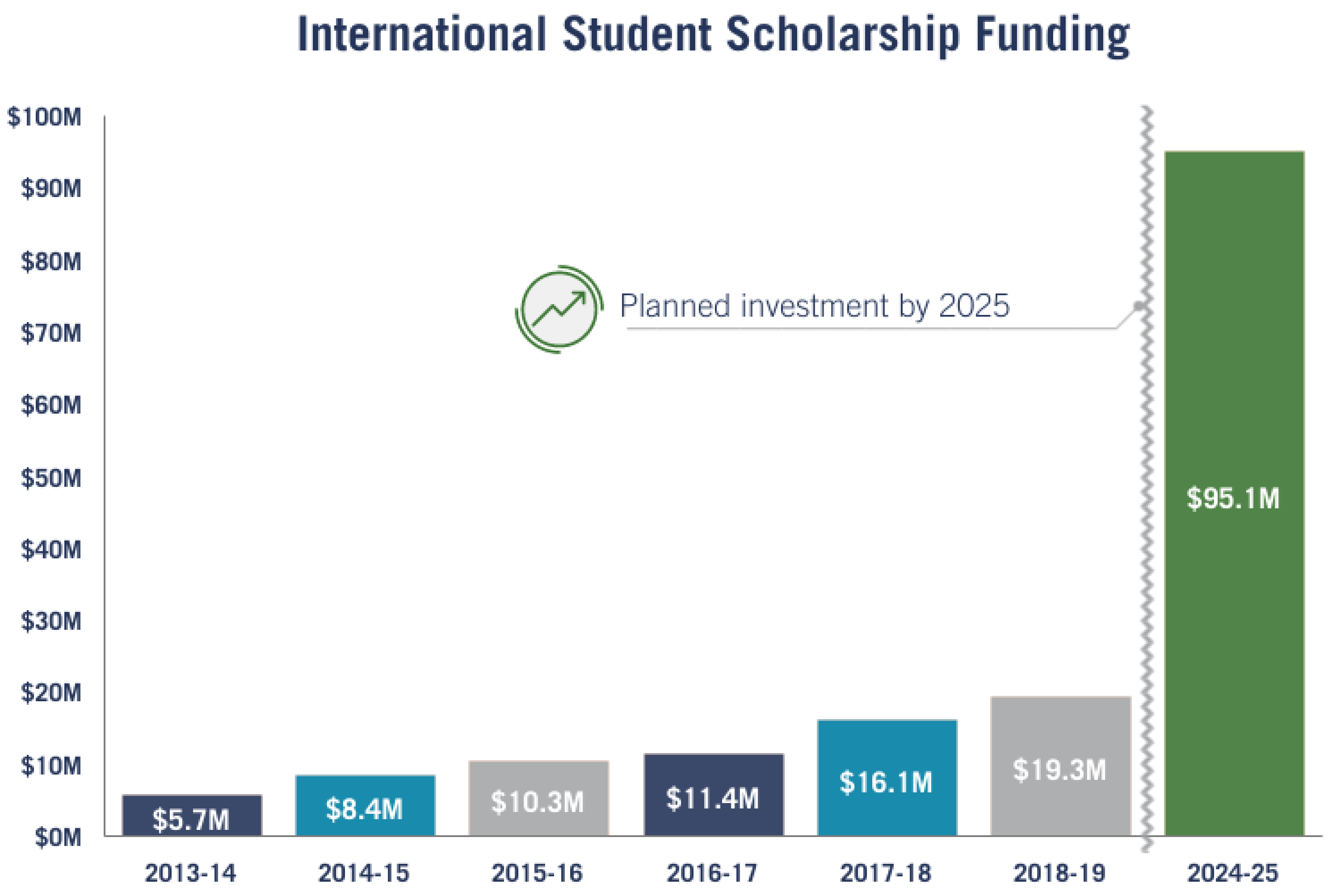
Planned international student FTE will increase to **18,720**

UNDERGRADUATE INTERNATIONAL POPULATION
U15 PEER INSTITUTIONS - FALL 2018

International Percentage of Total Enrolment



INTERNATIONAL SCHOLARSHIP PROGRAMS



$76 MILLION

Total increase in scholarships funded from international fee revenue by 2025.

CHANGES TO OSAP

1 PARENTAL CONTRIBUTION INCREASES

Less support for students with family incomes over ~$70,000.

2 SHIFT TOWARD LOANS

Minimum 10% of aid will be loans; no grants for family incomes above $140,000.

3 PARTICIPATION RATE DECREASE

Undergrad OSAP participation rate anticipated to return to 2016-17 levels

UofT's COMMITMENT TO FINANCIAL AID REMAINS

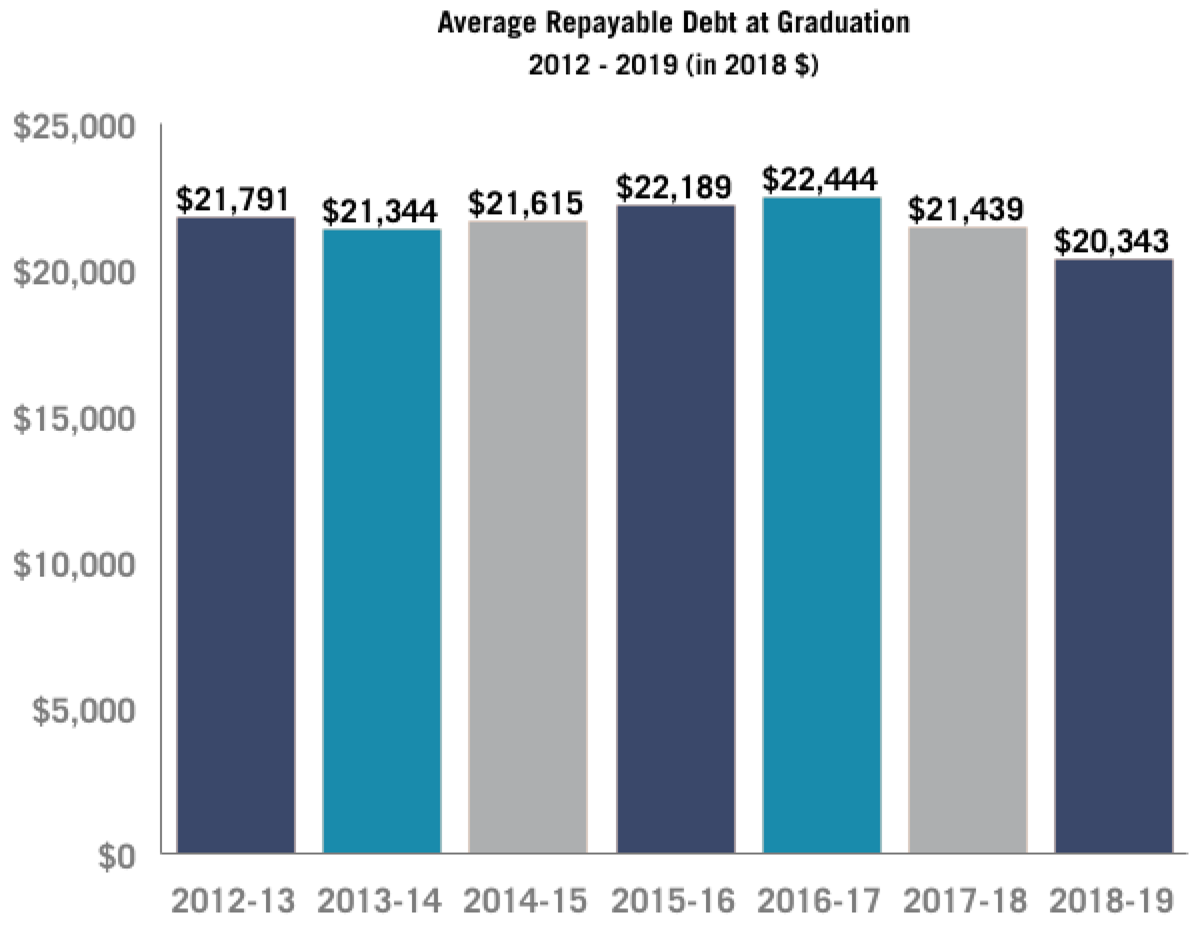
"No student offered admission to a program at the University of Toronto should be unable to enter or complete the program due to lack of financial means."

$258 MILLION

STUDENT AID BUDGET FOR 2020-21

STUDENT DEBT LOAD 2012 - 2019

(OF THOSE WITH OSAP DEBT)



DID YOU KNOW...

- That the 2018-19 average repayable debt (at graduation) is the lowest since 2010-11
- 48% of direct entry UG students have no OSAP debt upon graduation.

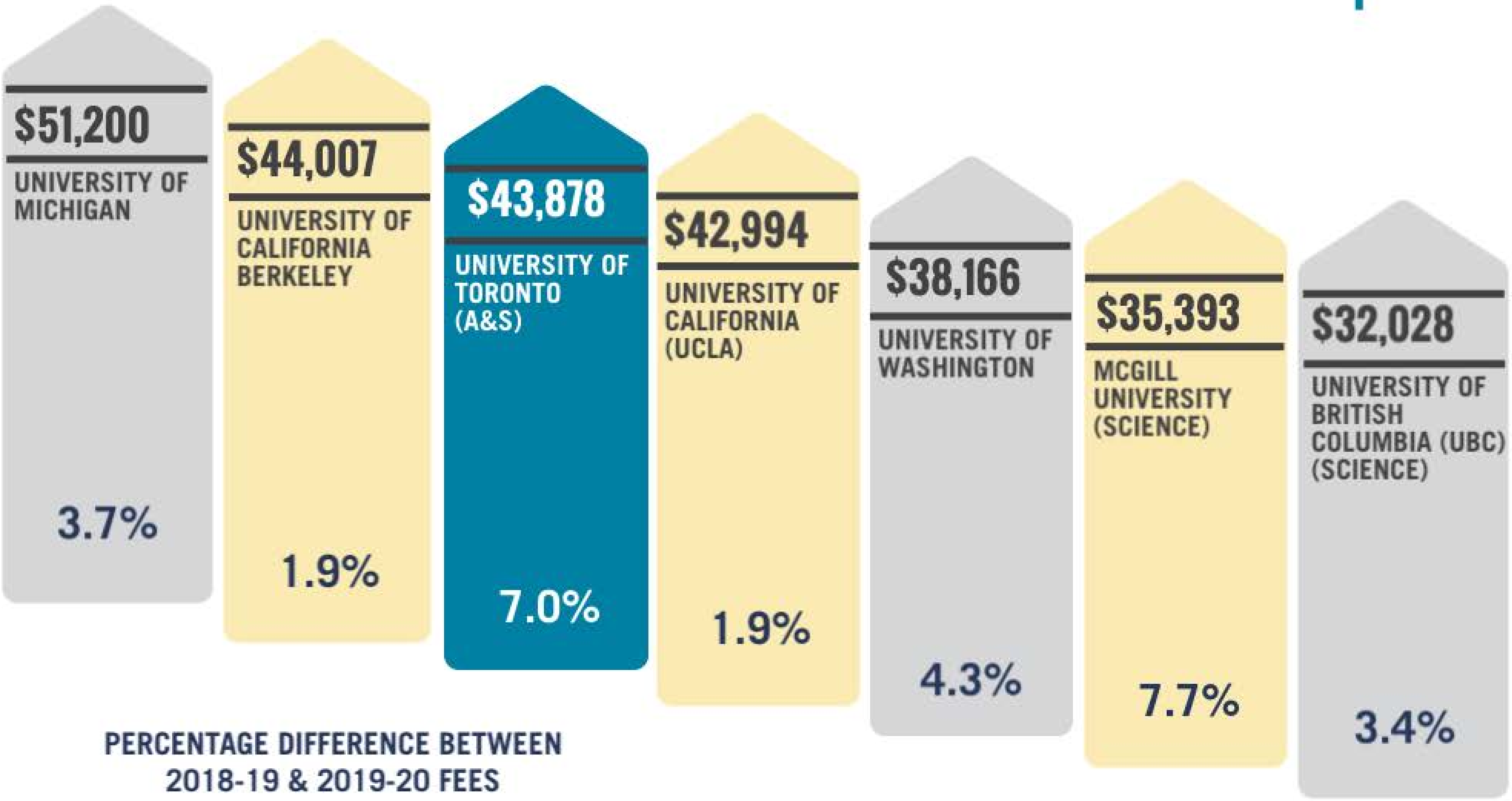
RATE OF DEFAULT ON OSAP LOANS

VERSUS 2.9% FOR OTHER ONTARIO UNIVERSITIES

International and Out-of-state Arts & Science Tuition

Peer Institutions (2019-20)

TUITION FEES IN USD
CONVERTED AT 0.80



GLOBAL RANKINGS - GRADUATE EMPLOYABILITY

15th

OVERALL IN THE WORLD

8th

OUT OF ALL PUBLICLY FUNDED INSTITUTIONS GLOBALLY

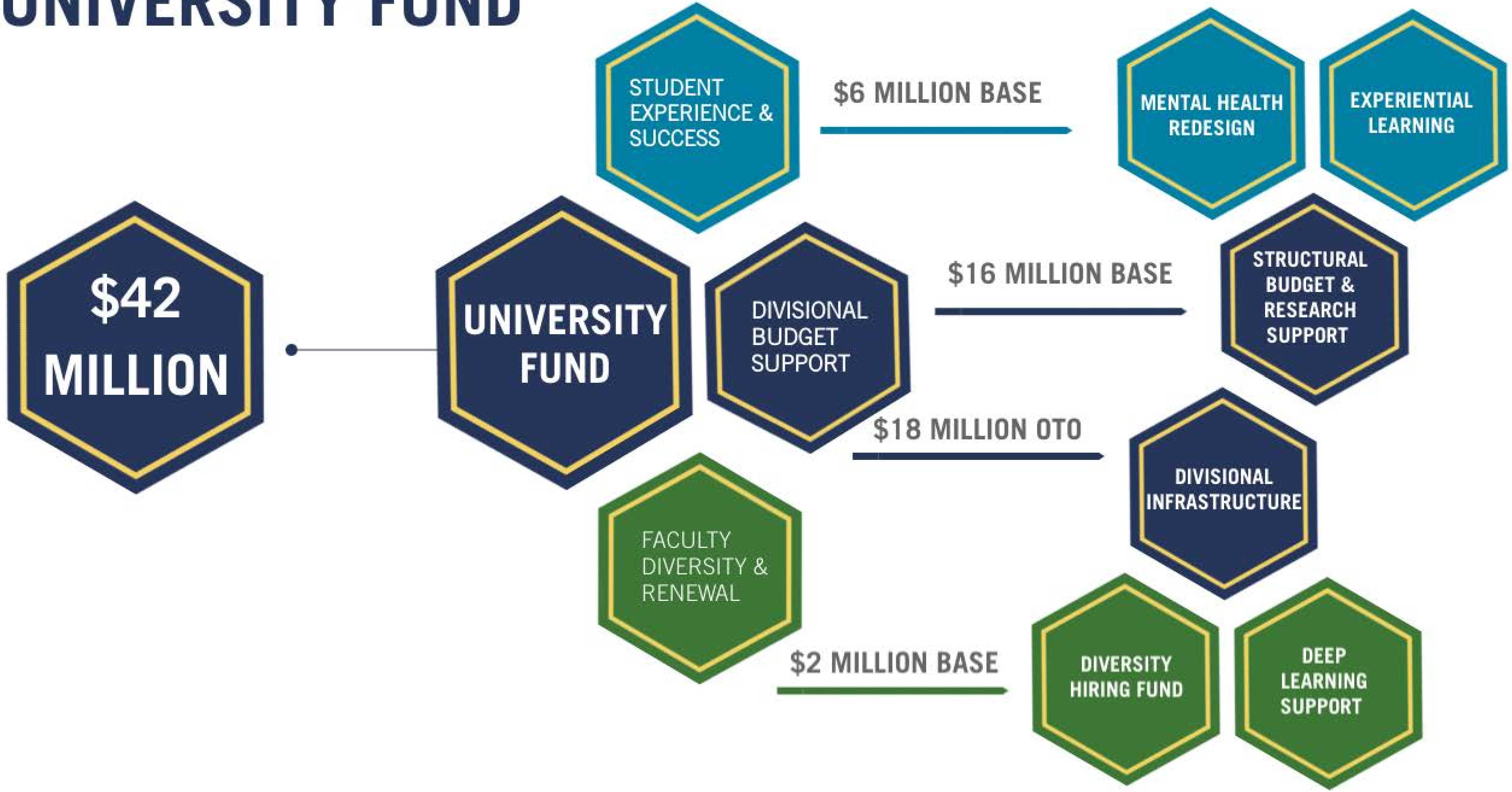
1st

OUT OF ALL PUBLICLY FUNDED INSTITUTIONS IN NORTH AMERICA

*based on Times Higher Education Rankings (2019)

4 Strategic Priorities

UNIVERSITY FUND



DIVISIONAL BUDGET PRIORITIES

ACADEMIC DIVISIONS

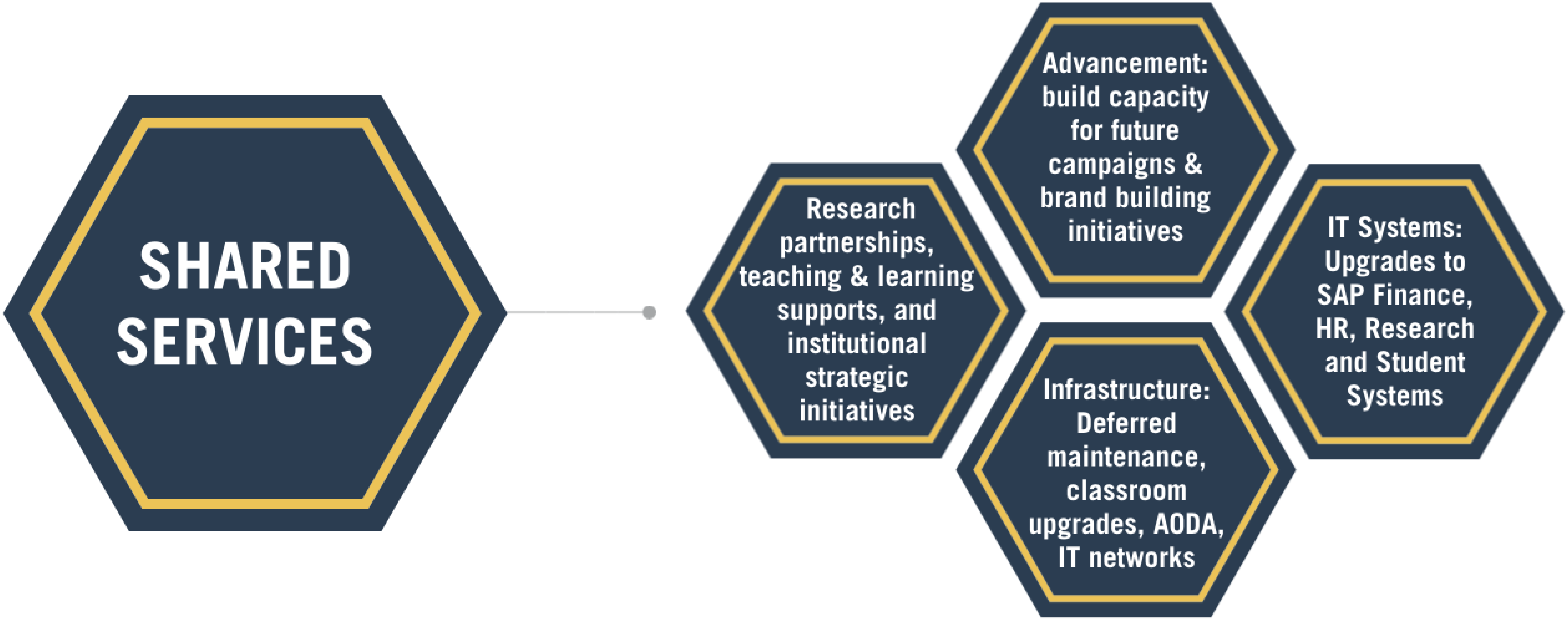
Increases in undergraduate and graduate student supports

New degree programs e.g. Urban Innovation (MUI) and Nursing (DN)

Major investments in capital projects including new student spaces

49 net new faculty positions

SHARED SERVICE BUDGET PRIORITIES



5 Risk

INTERNATIONAL UG ENROLMENT INTAKE (NEW ADMITS)

BY SOURCE REGION

% increase
FALL 2016 vs FALL 2019

MIDDLE EAST	258	253%
INDIA/PAKISTAN	392	115%
ASIA PACIFIC/ OTHER	857	59%
EUROPE	460	51%
CARIBBEAN/LATIN AMERICA	179	47%
USA	170	42%
CHINA (PRC)	3,441	21%
AFRICA	126	21%

PENSION PLAN DEFICIT

University Pension Plan consent achieved: if approved, UofT will be required to fund initial pension deficit over a period of 15 years

Placeholder for future deficit payments: pension special payments budget will increase to $137 million per year by 2023-24.

Sensitivity: changing the going concern discount rate by ±0.25% could decrease the deficit by $201M or increase it by $214M

Going Concern Deficit

2016-2018

Pension Special Payment Assumptions

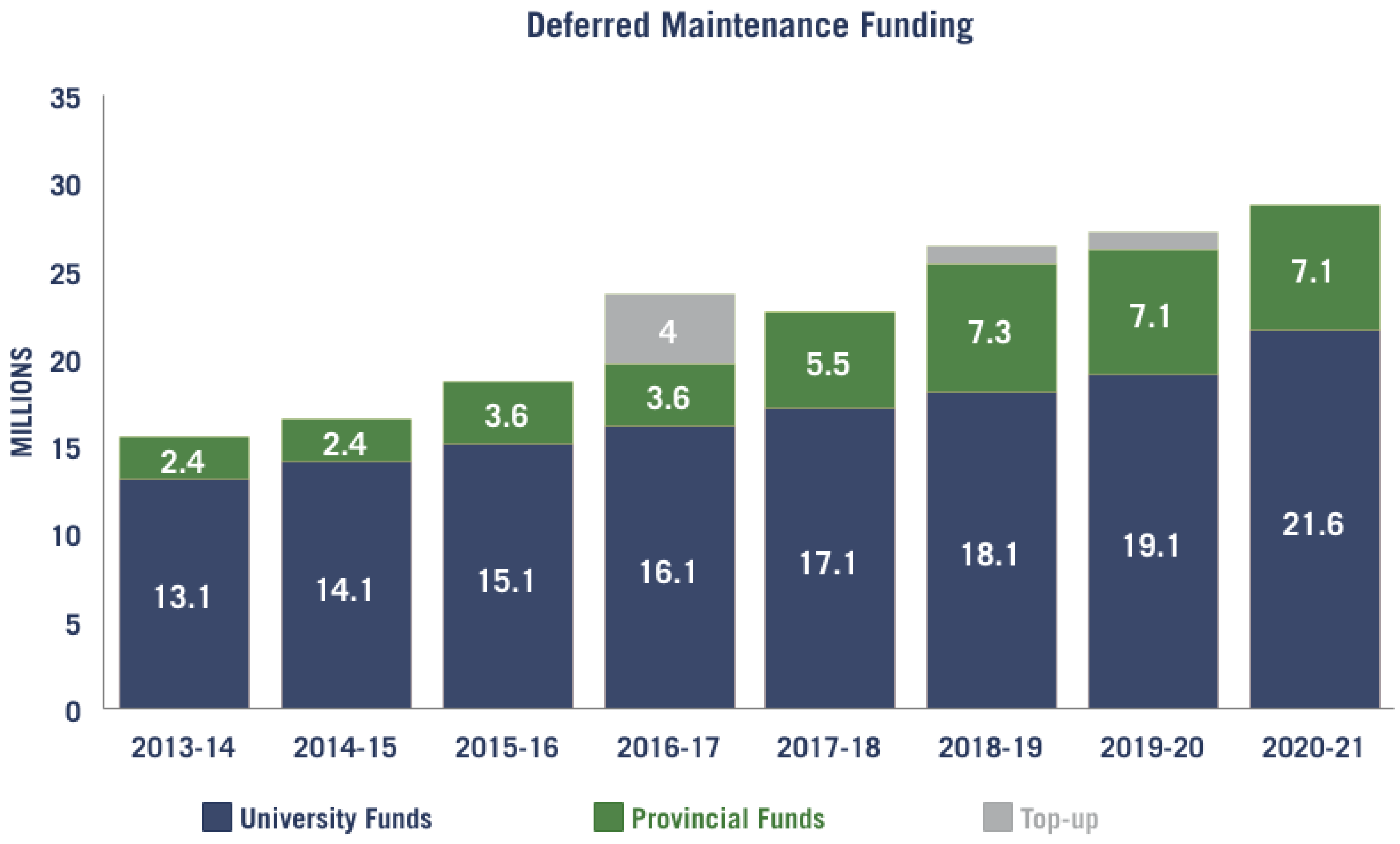
2020-2025

DEFERRED MAINTENANCE FUNDING
ST. GEORGE CAMPUS

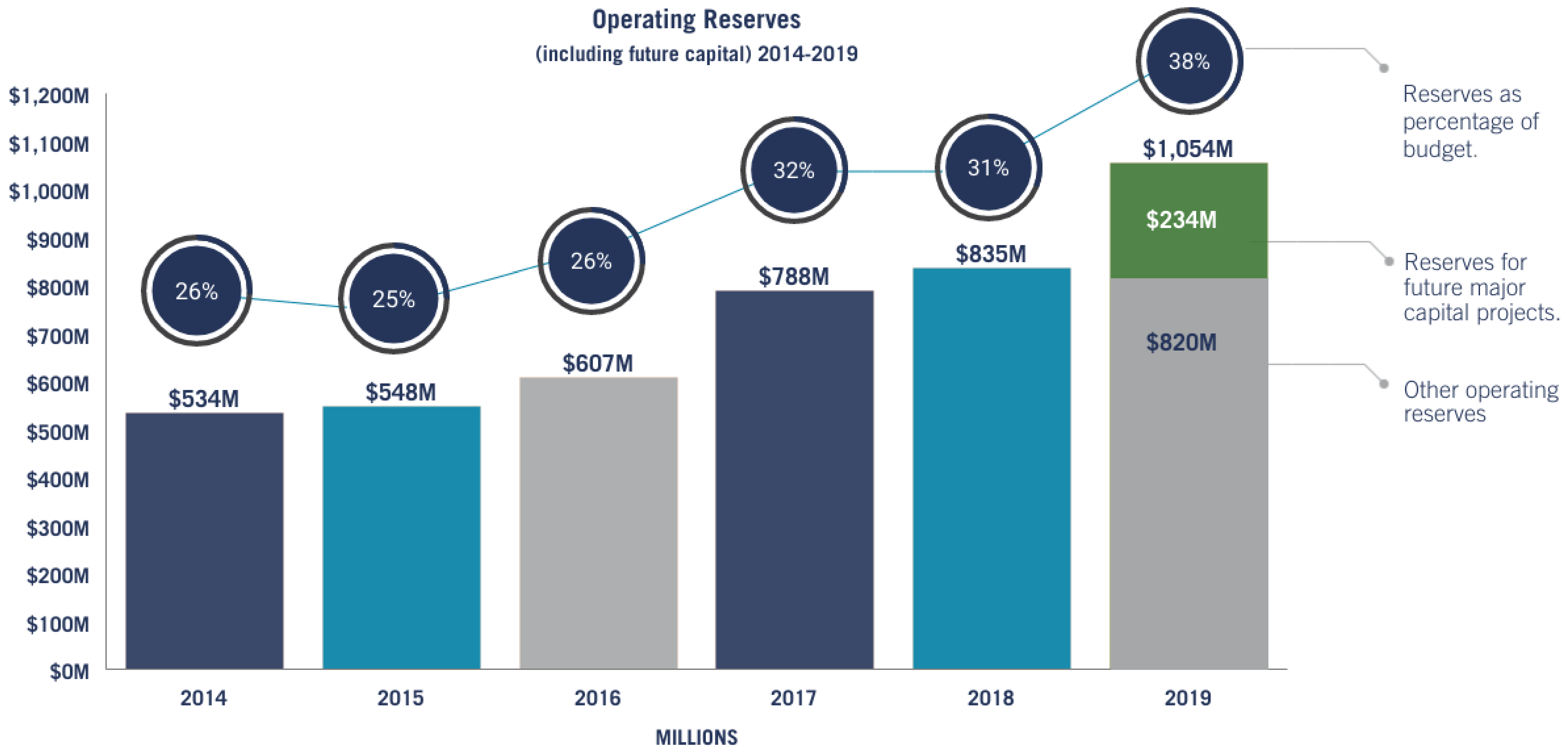
$2.5M↑ UNIVERSITY INVESTMENT
PER YEAR

$29M FOR THE NEXT 10 YEARS
PER YEAR

$718M LIABILITY
OVERALL



OPERATING RESERVES



Budget 2020-21

and Long Range Budget Guidelines
2020-21 to 2024-25

UNIVERSITY OF TORONTO