FOR ENDORSEMENT & FORWARDING TO THE GOVERNING COUNCIL	**PUBLIC**	**CLOSED SESSION**

TO: Executive Committee

SPONSOR: Professor Trevor Young, Vice-President & Provost
CONTACT INFO: provost@utoronto.ca

PRESENTER: Professor Scott Mabury, Vice-President Operations & Real Estate Partnerships
CONTACT INFO: scott.mabury@utoronto.ca

DATE: March 18, 2025 for March 25,2025

AGENDA ITEM: 3(a)(i)

ITEM IDENTIFICATION:

Budget Report 2025-26 and Long-Range Budget Guidelines 2025-26 to 2029-30

JURISDICTIONAL INFORMATION:

As per 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.]

As per Section 5.3, the annual operating budget and long-range budget guidelines come forward to Academic Board for recommendation to the Governing Council.

GOVERNANCE PATH:

1. Planning and Budget Committee [for recommendation] (February 12, 2025)
2. UTM Campus Council [for information] (March 3, 2025)
3. UTSC Campus Council [for information] (March 4, 2025)
4. Academic Board [for recommendation] (March 6, 2025)
5. Business Board [for concurrence with the recommendation of the Academic Board] (March 12, 2025)
6. **Executive Committee [for endorsement and forwarding] (March 25, 2025)**
7. Governing Council [for approval] (April 3, 2025)

PREVIOUS ACTION TAKEN:

The Budget Report 2024-25 and Long-Range Budget Guidelines 2024-25 to 2028-29 were approved by the Governing Council at its April 4, 2024 meeting.

HIGHLIGHTS:

The University of Toronto continues to be in a strong financial position with a balanced budget of $3.62 billion for 2025-26, representing a 2.8% increase over the prior year's budget, substantial operating reserves, and an excellent credit rating of Aa1. However, with enrolment growth slowing and limits on domestic and international fees, the University is operating in a new planning environment of lower revenue growth compared to the past decade. And there are additional risks on revenue growth from international recruitment due to Canada's changing immigration policy environment. This comes at a time of increasing pressures on expenses.

Absorbing the cost of extraordinary post-Bill 124 compensation increases continues to be a significant factor in the 2025-26 budget because of the multi-year smoothing required to absorb these costs into base budgets. This is leading to some difficult decisions as divisions work to fund their highest priorities. It also reinforces the need to maximize the effectiveness of our services and make the most of the resources we have.

The University continues to attract excellent domestic and international students. Enrolment-related revenues, including student fees and operating grants, represent 86% of our operating budget and are projected to increase by 1.9% to $3.1 billion in 2025-26. This reflects modest changes to domestic enrolment from funded expansions, flow-through of higher than planned domestic intake last year, increased international intakes, and a 2.9% average increase in international tuition fees. Other sources of revenue include investment income, endowment income, Canada Research Chairs, funding for the indirect costs of research, and sales of services.

Unfortunately, domestic tuition fees continue to be frozen for Ontario residents until at least 2026-27. While there is some flexibility for out-of-province students, this represents a relatively small portion of our domestic enrolment so the financial benefit to the operating budget is limited. In 2024-25, the Province committed to a 7% increase in operating grant funding phased in over three years to 2026-27. This welcome increase in grant funding is helping to offset some of the impact of the continued tuition freeze but provides growth on only 20% of our operating revenues. For long term sustainability, the University will need some flexibility on domestic tuition as well as continued increases to operating grant funding.

Divisional enrolment plans will add about 500 domestic undergraduate spaces over the next five years primarily related to the funded nursing, medicine, and SAMIH expansions. The University also continues to see strong demand from international students and is planning for growth of about 1,700 international FTEs over the planning period – although, the international recruitment market has become more challenging which presents some risk to the plan. With these plans, international enrolment will increase slightly to 31.6% of undergraduates from a diverse set of countries across the world.

In January 2024, the Federal Government announced a new cap on international student permits aimed at reducing the total number of new permits issued by 35% for 2024 and in September, it announced a further reduction of 10% for 2025. This, combined with other immigration policy changes, has had a chilling effect on the international recruitment market for Canadian higher education. We saw application numbers drop for 2024 but, as of January, applications volumes seem to have leveled out for 2025, which is a positive sign. The 2025-26 Budget plan assumes an incoming class of 5,855 international students into our direct-entry undergraduate programs, 843 more than in Fall 2024 but down slightly from our target for last year. If intake is limited to our Fall 2024 intake level, the risk to the University's plans is about $54 million in 2025-26. Divisions have been working hard to engage with prospective students and build relationships to encourage them to register at the University in the fall.

Student financial support continues to be a key priority for the University. The 2025-26 budget sets aside $405 million in funding for student support programs delivered through institutional program such as UTAPS, and locally within divisions.

The Provost has prioritized University Fund allocations towards supporting a significant increase in the base funding commitment for doctoral students to $40,000 across all programs, additional supports to improve success in attracting research funding, facilitating the implementation of the new Operating Agreement with the Federated Universities, and a new operational excellence fund to support the implementation of initiatives that help streamline processes and lead to efficiencies.

Budget priorities in academic divisions include, among others: managing compensation costs; hiring of tenure and teaching stream faculty (although limited relative to past years); increasing graduate funding; enhancing student recruitment and student services; capital investments in teaching and research infrastructure; and expanding experiential learning opportunities.

Investments in shared services are prioritizing: additional funding for compensation increases; a new Identity Management system as part of our information security program; covering inflation on the University's world-class library collections; and brand marketing initiatives to help the University tell its story. A new travel and expense system will be implemented that should lead to significant savings in administrative time that can be redirected towards higher priorities.

Looking beyond 2025-26, we are anticipating revenue growth to slow to around 3% per year over the five-year plan, reflecting slowing enrolment growth and continued constraints on tuition and operating grants. Although, annual revenue growth could be significantly lower if international growth targets are not achieved. Compensation increases are planned to return to pre-Bill 124 levels. Consistent with the multi-year plan, the pension risk contingency budget will be reduced to $50 million in 2026-27 and remain at this level going forward.

Given the more constrained revenue environment, the University must look for ways to stretch our resources further. Many initiatives are already underway in this area such as shared service hubs, consolidation of services, new tools to streamline processes and services, and new divisional budget models to further engage Chairs in budget planning. The Operational Excellence Initiative brings together experts from across the institution to support divisions with implementation of initiatives to improve service delivery and effectiveness. This work is supported by a new $1 million Operational Excellence Fund to help with implementation costs of new initiatives.

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 continue to rise to the challenge, seeking efficiencies and collaborations wherever possible. Enrolment demand remains strong and the University continues to attract excellent domestic and international students.

RECOMMENDATION:

Be It Recommended:

THAT the Budget Report 2025-26 be approved; and

THAT the Long-Range Budget Guidelines 2025-26 to 2029-30 be approved in principle.

DOCUMENTATION PROVIDED:

- *Budget Report 2025-26 and Long-Range Budget Guidelines 2025-26 to 2029-30*

Budget Report 2025-26

and Long-Range Budget Guidelines
2025-26 to 2029-30

February 5, 2025
Planning & Budget Office

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Introduction & Executive Summary

This report introduces the proposed Long-Range Budget Guidelines for the five-year period 2025-26 to 2029-30, including the detailed annual operating budget for fiscal year 2025-26. The proposed operating budget is balanced at the institutional level in each year of the planning period[1].

The Budget Report 2025-26 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.

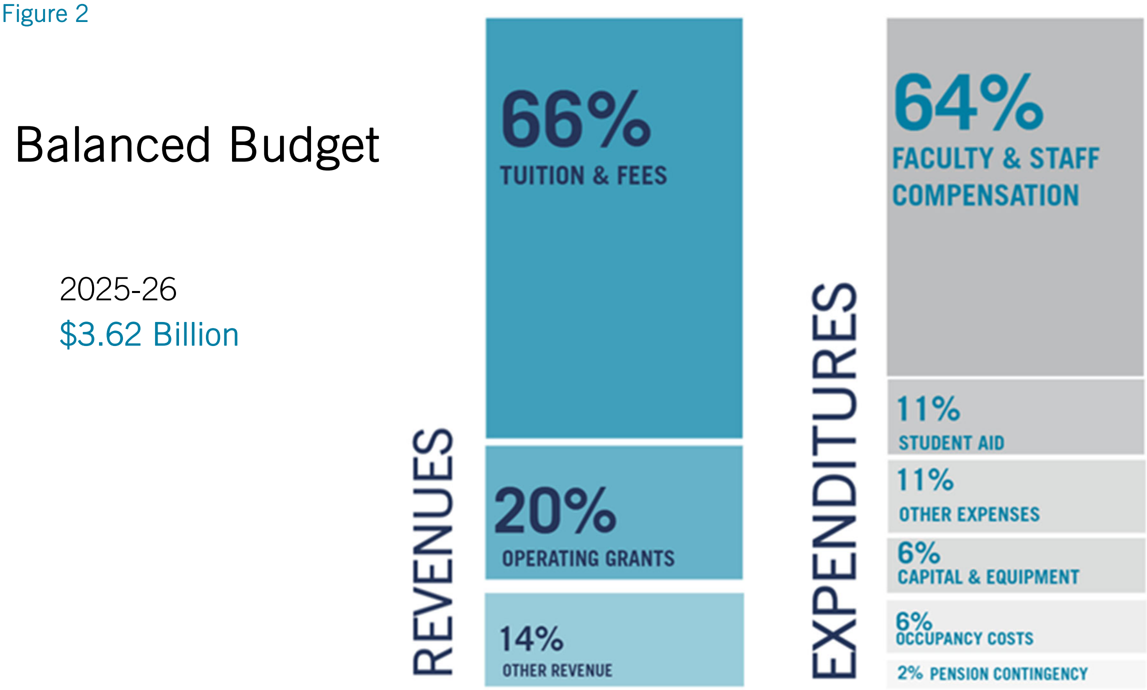
Budget plans are shaped by the University of Toronto's academic priorities as articulated in the University's Three Priorities – internationalization, engagement with the city-region, and reimagining undergraduate education – the Towards 2030 academic plan, and the Provost's priorities to support thriving students, empower research trainees, channel the possibilities of AI, and chart the future of higher education. These priorities have been the focus of activities such as increased support for international experience; investments in experiential learning opportunities and program innovations; investing in student financial support; supporting student success and well-being through investments in mental health services, curricular and co-curricular programming; new spaces for teaching, learning and research; and cross-disciplinary scholarship to address local and global challenges. Further, 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 academic and administrative units across all three campuses. Through the annual budget planning process, academic divisions participate in detailed reviews 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.

Figure 1

[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, capital fund and ancillary operations fund.

Figure 2



Executive Summary: Budget 2025-26

The University of Toronto continues to be in a strong financial position with a balanced budget of $3.62 billion for 2025-26, representing a 2.8% increase over the prior year's budget, substantial operating reserves, and an excellent credit rating of Aa1. However, with enrolment growth slowing and limits on domestic and international fees, the University is operating in a new planning environment of lower revenue growth compared to the past decade. And there are additional risks on revenue growth from international recruitment due to Canada's changing immigration policy environment. This comes at a time of increasing pressures on expenses.

Absorbing the cost of extraordinary post-Bill 124 compensation increases continues to be a significant factor in the 2025-26 budget because of the multi-year smoothing required to absorb these costs into base budgets. This is leading to some difficult decisions as divisions work to fund their highest priorities. It also reinforces the need to maximize the effectiveness of our services and make the most of the resources we have.

The University continues to attract excellent domestic and international students. Enrolment-related revenues, including student fees and operating grants, represent 86% of our operating budget and are projected to increase by 1.9% to $3.1 billion in 2025-26. This reflects modest changes to domestic enrolment from funded expansions, flow-through of higher than planned domestic intake last year, increased international intakes, and a 2.9% average increase in international tuition fees.

Unfortunately, domestic tuition fees continue to be frozen for Ontario residents until at least 2026-27. While there is some flexibility for out-of-province students, this represents a relatively small portion of our domestic enrolment so the financial benefit to the operating budget is limited. In 2024-25, the Province committed to a 7% increase in operating grant funding phased in over three years to 2026-27. This welcome increase in grant funding is helping to offset some of the impact of the continued tuition freeze but provides growth on only 20% of our operating revenues. For long term sustainability, the University will need some flexibility on domestic tuition as well as continued increases to operating grant funding.

Divisional enrolment plans will add about 500 domestic undergraduate spaces over the next five years primarily related to the funded nursing, medicine, and SAMIH expansions. The University also continues to see strong demand from international students and is planning for growth of about 1,700 international FTEs over the planning period – although, the international recruitment market has become more challenging which presents some risk to the plan. With these plans, international enrolment will increase slightly to 31.6% of undergraduates from a diverse set of countries across the world.

In January 2024, the Federal Government announced a new cap on international student permits aimed at reducing the total number of new permits issued by 35% for 2024 and in September, it announced a further reduction of 10% for 2025. This, combined with other immigration policy changes, has had a chilling effect on the international recruitment market for Canadian higher education. We saw application numbers drop for 2024 but, as of January, applications volumes seem to have leveled out for 2025, which is a positive sign. The 2025-26 Budget plan assumes an incoming class of 5,855 international students into our direct-entry undergraduate programs, 843 more than in Fall 2024 but down slightly from our target for last year. If intake is limited to our Fall 2024 intake level, the risk to the University's plans is about $54 million in 2025-26. Divisions have been working hard to engage with prospective students and build relationships to encourage them to register at the University in the fall.

Recruitment efforts continue to be focused on ensuring that the international student body more closely reflects the University's wide range of global partnerships. Fall 2024 continued our progress in diversifying intakes with students from 134 countries and less than half from any single source. To support these efforts, direct-entry undergraduate divisions continue to invest in additional merit-based scholarships for international students from diverse global regions, earmarking 6% of international undergraduate tuition revenue towards this goal.

Student financial support continues to be a key priority for the University. The 2025-26 budget sets aside $405 million in funding for student support programs delivered through institutional program such as UTAPS, and locally within divisions.

The Provost has prioritized University Fund allocations towards supporting a significant increase in the base funding commitment for doctoral students to $40,000 across all programs, additional supports to improve success in attracting research funding, facilitating the implementation of the new Operating Agreement with the Federated Universities, and a new operational excellence fund to support the implementation of initiatives that help streamline processes and lead to efficiencies.

Budget priorities in academic divisions include, among others: managing compensation costs; hiring of tenure and teaching stream faculty; increasing graduate funding; enhancing student recruitment and student services; capital investments in teaching and research infrastructure; and expanding experiential learning opportunities.

Investments in shared services are prioritizing: additional funding for compensation increases; a new Identity Management system as part of our information security program; covering inflation on the University's world-class library collections; and brand marketing initiatives to help the University tell its story. A new travel and expense system will be implemented that should lead to significant savings in administrative time that can be redirected towards higher priorities.

Looking beyond 2025-26, we are anticipating revenue growth to slow to around 3% per year over the five-year plan, reflecting slowing enrolment growth and continued constraints on tuition and operating grants. Although, annual revenue growth could be significantly lower if international growth targets are not achieved. Compensation increases are planned to return to pre-Bill 124 levels. Consistent with the multi-year plan, the pension risk contingency budget will be reduced to $50 million in 2026-27 and remain at this level going forward.

Given the more constrained revenue environment, the University must look for ways to stretch our resources further. Many initiatives are already underway in this area such as shared service hubs, consolidation of services, new tools to streamline processes and services, and new divisional budget models to further engage Chairs in budget planning. The Operational Excellence Initiative brings together experts from across the institution to support divisions with implementation of initiatives to improve service delivery and effectiveness. This work is supported by a new $1 million Operational Excellence Fund to help with implementation costs of new initiatives.

1 The Financial Planning Landscape

The overall planning environment for the University considers many internal and external factors such as enrolment demand, collective agreements, Provincial funding policy and tuition fee frameworks, Federal funding for research, ancillary operations, and opportunities for non-traditional sources of revenue.

Enrolment Planning

Approximately 86% of the University's operating revenue is related to enrolment through student fees and operating grants. Demand for the University's programs continues to be very strong with overall enrolment breaking the 100k mark at 102,431 undergraduate and graduate students enrolled in 91,425 FTEs of course activity in Fall 2024, a 2,593 FTE increase over the previous year.

We continue to see strong domestic and international applicant pools to our direct-entry undergraduate programs, with growth of 3.4% in the incoming class to 17,022 in Fall 2024, though 1.4% below the plan for this year, which had assumed a bit more growth. Domestic demand was particularly strong with intake 733 above target. Unfortunately, a challenging recruitment environment contributed to lower than planned international intake at 978 below target. On a year-over year-basis, international intake was 6% below Fall 2023; certainly not ideal but a much better result than the double-digit percent decreases reported by many other Ontario universities this year.

Retention of upper-year students continues to bounce back from the dip seen at the end of the pandemic. This exceeded the conservative assumptions in the budget plan and offset the lower than planned intakes. As a result, overall undergraduate enrolment exceeded the budget plan by 1.3% with positive variances in both domestic and international enrolment.

On January 22, 2024, the Federal Government introduced a new cap on international student permits for 2024 aimed at reducing the number of new permits issued nationally by 35%. For 2024, the cap was administered through a restriction in the number of permit applications reviewed for undergraduate studies from out of country applicants. These applicants now required a Provincial Attestation Letter (PAL) from a limited pool managed by each Province in order to be considered for a study permit. Graduate students were exempted from the cap. In 2024, the University received sufficient PALs to meet our targets, however, the new process created significant uncertainty in international markets that likely impacted demand and contributed to the lower than planned intake this year.

As part of this initiative, the Federal Government also changed eligibility for post-graduate work permits (PGWP) for college programs, making graduates from public-private partnerships ineligible for a PGWP. This had a major impact on demand for those programs and Ontario colleges used only about half of their allocation of PALs this year. In contrast, the University used all of our 2024 allocation of PALs.

In September 2024, the Government announced a further 10% reduction in international permits for 2025 and extended the new PAL requirement to graduate students and in-country international undergraduate applicants (ie. those who enrolled in and are applying from Canadian high schools). Our PAL allocation for 2025 should be sufficient to meet our targets although we are requesting additional PALs from the Ministry if they become available in order to provide some flexibility if conversion rates decrease. However, this new requirement adds a further complication for students applying to attend the University, which is not the target of these policy changes.

The Federal Government continues to face significant challenges in timely processing of student permit applications given the large increase in volumes across the country in recent years. The University of Toronto along with Universities Canada and other peer universities continues to advocate with Immigration, Refugees & Citizenship Canada (IRCC) for the introduction of a new Recognized Institution Framework that will create a new, separate pathway for student permit processing for "recognized" institutions. This would significantly improve the experience for our students and reduce time to approval.

It is important to note that the University separately manages domestic and international enrolment spaces. Each pool has separate targets and we endeavour to fill all of our funded domestic spaces each year. **We do not fill domestic spaces with international students.** In fact, in 2024 we admitted more domestic students than funded for given the very strong demand and softening of the international market. Although, this is only a temporary measure as we cannot sustain this growth on domestic tuition revenue alone.

Many divisions continued to experience some softening in graduate intakes again this year with overall graduate enrolment coming in 0.7% below plan, although still 1.9% higher than 2023-24. We are seeing some shifts in the market for professional masters programs and divisions are developing new programs and modifications to respond to demand. One area of significant change is in the Rotman School of Management, which is are planning a new advanced standing option for the MBA (ie. shortened program) and management programs for working professionals and students from non-business backgrounds.

Summer enrolment activity continues to be higher than pre-pandemic levels, although not at the level of the peak in 2020 in the early stages of the pandemic. Students have shown continued interest in taking courses across all three terms, which allows for a broader set of offerings through the summer session, reduced pressure on courses through the Fall/Winter, and more activity on campuses over the summer.

Geopolitical issues continue to present some risk to our international enrolment plans. We are seeing a continued impact on demand resulting from the tensions in the Canada-India relationship with applications from that country for Fall 2025 down by almost two-thirds compared to 2023. This volatility demonstrates why the University's diversification strategy to build and increase connections with a broader range of international countries is so important.

Post-Bill 124 Compensation Decisions

The November 9, 2022 decision by the Ontario Superior Court of Justice to strike down the Government's "Protecting a Sustainable Public Sector for Future Generations Act, 2019", commonly known as Bill 124, has had a significant impact on Ontario broader public sector compensation and continues to impact the University's budget plan.

The final year of the Bill 124 period agreement with our Faculty & Librarians (2022) was in arbitration when the Court made its decision. As a result, negotiation resumed on this final year and the Arbitrator ultimately awarded a 7% increase in addition to the 1% already negotiated under the Bill 124 constraints. Negotiations with the Faculty Association on the next agreement, fully post-Bill 124, continue.

This 7% special increase was subsequently included in post-Bill 124 negotiated agreements with other employee groups and for other administrative staff. The University is anticipating that this special increase will ultimately cost about $125 million above what was planned.

In response, divisions have had to review their hiring plans, contingencies, capital plans, and other priorities. It is taking several years for divisions to fully absorb this extraordinary increase in base costs, which is limiting funding available for other priorities. The multi-year smoothing introduced to manage this incremental cost impact to shared service budgets is requiring additional funds from the 2025-26 budget beyond what will be needed to fund next year's compensation increases.

Provincial Government and the Strategic Mandate Agreement

The Ontario post-secondary education system operates under a differentiation policy framework that is operationalized through a series of bilateral Strategic Mandate Agreements. These agreements specify the role of each university in the system and how each will build on institutional strengths to drive system-wide objectives and government priorities.

The University's fourth Strategic Mandate Agreement with the Province (SMA4) will come into effect on April 1st, 2025 and continue for five years. This follows the 2020-2025 SMA3[2] that introduced a new performance-based funding model. The University is currently working with the Province to finalize the SMA4, which is expected to include the following features:

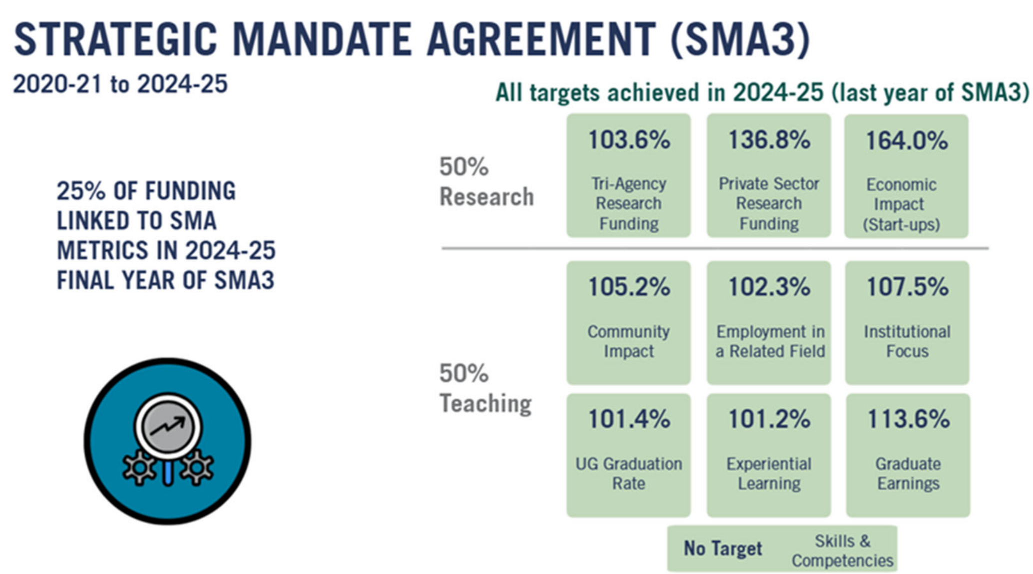
- Continuation of the SMA3 performance-based funding framework but with eight metrics, down from the 10 included in SMA3. One of the two SMA3 research metrics is being eliminated under SMA4 and the Skills & Competencies metric will be discontinued.
- Enrolment-related metrics will now be focused on domestic students and exclude international.
- 5% of funding will now be linked to meeting certain reporting deadlines, engaging with MCU on work to develop efficiencies and new skills & competencies metrics, and attesting to a commitment to research security. These elements are still under development as of the writing of this report.

The SMA performance-based funding framework will be linked to 25% of operating grant funding provided to the University in 2025-26 and 2026-27 and then increase annually to 40% by 2029-30. Under the framework, each university is measured against its own past performance, not against other institutions. As Canada's leading research-intensive university, performance-based funding allows the University to benchmark its strengths in areas such as innovation, research funding, and graduate employment, and have funding reflect its achievements in these areas. The University exceeded all of its metrics targets under SMA3 and does not anticipate any reductions to funding under SMA4.

The SMA3 also set out a multi-year enrolment plan where the Province held constant the level of funded domestic enrolment at the University of Toronto over the period of the agreement. The University has been eligible for full enrolment funding provided it maintained a five-year average enrolment within ±3% of its target. This excluded separately funded enrolment expansions in nursing and the Scarborough Academy of Medicine & Integrated Health discussed later in this document.

The funded enrolment corridor is not expected to change for the first two years of SMA4. However, the Government has indicated an interest in expanding enrolments in science, technology, engineering, and math (STEM) and the University has submitted a proposal to expand programs by 4,850 undergraduates and 565 masters students in areas such as engineering (including a new undergraduate biomedical engineering program), computer science, life & physical sciences, data sciences, kinesiology, and information studies. At this stage, this proposed enrolment growth has not yet been factored into the University's long-range budget plan.

Figure 3: SMA3 Metrics Performance, Year 5 (2024-25)



[2] Strategic Mandate Agreement 2020-2025: University of Toronto and the Ministry of Colleges and Universities https://www.utoronto.ca/about-u-of-t/reports-and-accountability

Blue Ribbon Panel and Postsecondary Education Financial Sustainability Fund

In March 2023, the Government created a Blue Ribbon Panel[3] of postsecondary education experts to provide advice on securing the financial sustainability of the sector. The Panel recommended unfreezing domestic tuition, an immediate 10% increase in operating grant funding, and consideration of future enrolment growth funding to meet demand.

In response, the Government created a three-year Postsecondary Education Financial Sustainability Fund with a 7% phased-in increase to operating grants: 3% in 2024-25, 2% in 2025-26, and 2% in 2026-27. However, the Government has not yet committed to continuing this additional funding beyond 2026-27. They are planning a funding review over the next two years that could inform decisions on future funding.

Unfortunately, the Government did not follow the Panel's recommendations to unfreeze domestic tuition and instead, has extended the current freeze until at least 2026-27. While the additional operating grant funding is very welcome, it essentially offsets the additional revenue that would have been generated under a modest 3% tuition increase framework.

Framework for Domestic Tuition Fees

Changes to domestic tuition fees in publicly-funded programs at Ontario colleges and universities are subject to frameworks provided by the Provincial Government. Under these frameworks, the Government sets limits on increases to fees (and in some cases, requires reductions or freezes) and retains the option to reduce operating grant funding to institutions that contravene the framework. The frameworks only apply to tuition for students for which the Government provides operating grant funding, so do not apply to the majority of international students, non-publicly funded programs such as Executive MBA, and continuing education programs.

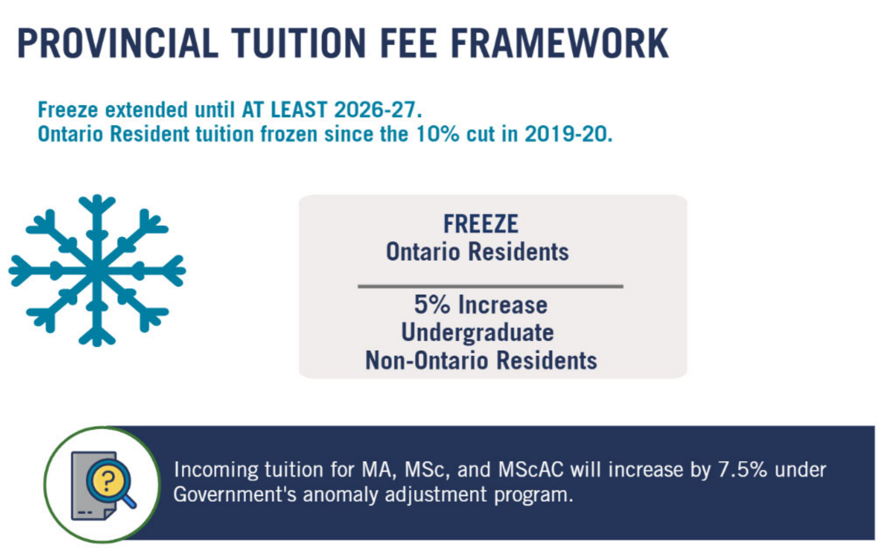
In 2019-20, the Ontario government required a 10 per cent cut to domestic tuition fees and has subsequently frozen fees at these lower levels out to at least 2026-27.

In 2022-23, the Government introduced flexibility to increase non-Ontario domestic tuition by 5% per year – a helpful change but limited in impact as this applies to just a small portion of the University's domestic enrolment.

In 2023-24, the Government approved multi-year plans to increase fees for some programs where they were significantly lower than the comparative sector average. This applies to our MA, MSc, and MSc in Applied Computing programs (more information is provided later in this report).

In 2024-25, total revenue from domestic enrolment (tuition and grants) was less than it was in 2018-19 in nominal dollars, without adjusting for inflation. However, this is beginning to change. Tuition from the higher than planned domestic enrolment and the new Financial Sustainability funding should put next year's domestic-related revenues just over where they were in 2018-19 next year. It is critical that this growth continues given the uncertainties with the international recruitment markets.

Figure 4: 2025-26 Domestic Tuition Fees



[3] Blue-Ribbon Panel on Postsecondary Education Financial Sustainability, November 2023

https://files.ontario.ca/mcu-ensuring-financial-sustainability-for-ontarios-postsecondary-sector-en-2023-11-14.pdf

Nursing Expansion & Clinical Funding

Nursing education continues to be a priority area for the Government, which has funded additional spaces at colleges and universities since 2021. Under this program, the University received 55 additional spaces for our undergraduate BScN program (31% increase in intake over 2020). Given the continuing high demand for nursing graduates in the health care sector, the University is anticipating that this expansion will continue over the planning period.

In 2022-23, the Government announced $124.2 million over three years to significantly increase funding for nursing clinical operations at colleges and universities. Under this initiative, the University's allocation for nursing clinical funding roughly tripled to $1.1 million per year, which has helped with operating costs for running these programs. We are optimistic that the Government will extend this important funding support beyond 2024-25, but they have not yet committed to this as of the writing of this report. The University also continues to advocate for increased clinical funding in other program areas, in particular dentistry, where the essential in-house clinics require significant subsidies from other operating revenues.

Scarborough Academy of Medicine & Integrated Health (SAMIH) and Additional Medical Expansion

In May 2022, the Government announced expansion funding for the new Scarborough Academy of Medicine and Integrated Health (SAMIH) that will be located at the University of Toronto Scarborough (UTSC) campus. SAMIH is a collaboration between UTSC, the Temerty Faculty of Medicine, the Lawrence Bloomberg Faculty of Nursing, and the Leslie Dan Faculty of Pharmacy. It will serve as a hub for undergraduate health education and health professional training. In 2023, the Government announced a further expansion of some medical programs. In total, between the two expansions, the University will receive growth funding for:

- 44 MD spaces
- 55 postgraduate resident spaces
- 26 physician assistant spaces
- 40 MSc physical therapy spaces
- 300 graduates from undergraduate programs in life sciences at UTSC

In addition, 30 MN Nurse Practitioner spaces will be delivered through SAMIH.

The home for SAMIH is currently under construction and the Academy will be supported through a partnership with The Scarborough Health Network, Lakeridge Health, Ontario Shores Centre for Mental Health Science and Michael Garron Hospital. Community-based agencies and health care facilities such as Family Health Teams and Community Health Centres will also be important collaborators.

Special Purpose Funding

In addition to the base and expansion operating grant funding described above, the Provincial Government also provides Special Purpose Funding for a number of targeted initiatives each year such as mental health support programs, accessibility & accommodation supports, campus safety, access & outreach programs, Indigenous student bursaries, and others. In total, the University received $5.5 million in special purpose funding in 2023-24. Allocations for many of these programs are announced in-year and often flow through the restricted fund portion of the University's systems given the specific nature of the eligible expenditures. However, the annual operating budget does include a provision for Accessibility Funding, assumed to be $3.8 million for 2025-26.

Federal Funding

Funding from the Federal Government is provided to universities primarily to support investigator-driven research and is not generally part of the University's operating budget. However, federal funding 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.

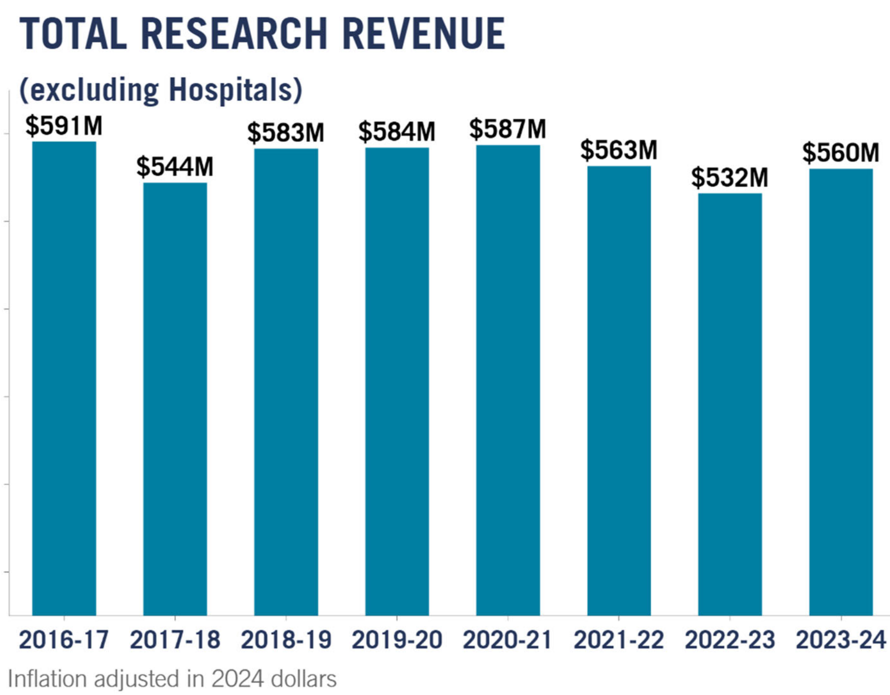
The Canada Research Chairs (CRC) program introduced in 2000-01 contributes to salary and research support for outstanding university researchers on a competitive basis. Research chairs are awarded to each university based on its share of eligible tri-agency research funding (the Canadian Institutes of Health Research – CIHR; the Natural Sciences and Engineering Research Council Canada – NSERC; and the Social Sciences and Humanities Research Council of Canada – SSHRC). The University of Toronto has the country's largest allocation of CRCs, with 341 Chairs spread across three campuses and fifteen fully affiliated hospitals. Given that Chairholder salary is an eligible and common budget element, these Chairs make an important contribution to the University's operating budget. They also have a significant impact on the University's ability to recruit and retain outstanding scholars. However, since the CRC program was introduced, inflation has reduced the effective value of Chair funding by over 69%. An appropriate adjustment to the value of these awards is long overdue.

Most research sponsored by NSERC, SSHRC and CIHR funding programs generates funding to support indirect costs from the federal Research Support Fund (RSF) and the Incremental Project Grant (IPG). The University of Toronto's effective rate of federal indirect costs recovered from these programs has averaged around 20% over the last decade, relative to the University's average indirect cost rate of over 60%. However, in 2024, the Federal Government announced a multi-year plan to increase funding for the IPG program for research-intensive institutions like the University of Toronto. This very welcome increase is anticipated to substantially increase total indirect costs of research funding from the Federal Government.

The Federal Government supports graduate students by providing student scholarships on a competitive basis. Although these funds do not flow through the University's operating 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. In July 2024, the Federal Government announced that it would increase tri-agency doctoral scholarships to $40,000 and masters scholarships to $27,000, a significant investment to support students.

Similarly, the Provincial Government provides support through Ontario Graduate Scholarships and the QEII Graduate Scholarships in Science and Technology. However, these awards have remained frozen in value and the number available has not kept pace with the rapid growth in graduate enrolment.

Figure 5: Research Revenue (for reference as managed through the Restricted Fund Budget)



Ancillary Services

Ancillary services across all three campuses make important contributions to the student and campus experience through residences, food operations, parking, and other services for student, faculty, and staff. These self-funded units rely on on-campus activity and faced significant financial challenges during the pandemic.

The University's 2021-22 budget plan included up to $50 million of deficit spending room for ancillary operations to provide flexibility for multi-year plans to recover from the financial impacts of the pandemic. Ancillary units are expected to eliminate any deficits over a five-year period. Ancillary operations are making significant progress in their recovery from the financial challenges incurred during the pandemic and are ahead of their five-year plans. Residences are back to full occupancy; however, Transportation and Food Services are continuing to adjust to the new post-pandemic environment of expanded hybrid work options that is translating to lower on-campus activity in some areas.

Deficit spending has been allowed only where it is necessary to do so, after considering cost containment strategies, levels of reserves, and funding for critical infrastructure projects. The University continues to work with ancillary units impacted by reduced on-campus activity to assess their financial health and may provide support from operating reserves to assist with annual deficit reductions in cases where further cost containment would jeopardize the unit's ongoing sustainability or critical infrastructure renewal. The University continues to present a balanced operating budget, and any subsidies to ancillary units will be provided from existing operating reserves.

Alternative Funding Sources

The University faces increasing financial pressure as a result of constrained provincial tuition and enrolment frameworks and real value decreases in provincial operating grants. The University's commitment to being an internationally significant research university requires creative solutions to fund its mission and aspirations.

In 2019, the final report of the Alternative Funding Sources Advisory Group[4] 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. One example of actions undertaken following the report was the Provost's establishment of the Advisory Group on Lifelong Learning Opportunities[5]. The group's June 2021 report includes recommendations to enhance and expand the University's lifelong learning offerings through initiatives such as a Lifelong Learning Community of Practice and micro-credentials. In 2024-25, the Provost announced the appointment of Professors Erica Walker, Dean of OISE, and Catherine Chandler-Crichlow, Dean of the School of Continuing Studies as Provostial Advisors on Lifelong Learning to build on the Advisory Group's work to leverage the expertise and systems of the School of Continuing Studies and other centres of excellence around the University to expand U of T's reach into the lifelong learning space.

The University has seized another such opportunity with the adoption of the Four Corners Strategy, which will leverage the University's real estate assets to deliver facilities and services to support the academic mission and simultaneously grow revenue from sources other than enrolment. Given the challenging interest rate environment of the last few years, new developments have proceeded at a slower pace than originally planned. However, the Four Corners Strategy is anticipating initiating annual contributions to the operating budget towards academic priorities over the course of the five-year plan, starting with a $5 million contribution in 2026-27, in addition to interest payments to the operating budget on internally issued mortgages used for Four Corners capital construction.

Current projects in various stages of planning, design, and construction include: the Oak House residence at Spadina and Sussex, scheduled to open for September 2025; a new residence on Harbord Street in development; the Site 1 Gateway project at Bloor and Spadina with faculty, staff and student family housing; and, the Schwartz Reisman Innovation Campus (SRIC) East. In addition, the University is planning a major expansion of up to 5,000 units of student housing on the St. George campus with private partners over the next decade.

Figure 6

[4] Report of the Alternative Funding Sources Advisory Group, April 2019. https://www.provost.utoronto.ca/committees/budget-model-review/alternative-funding-sources-advisory-group/

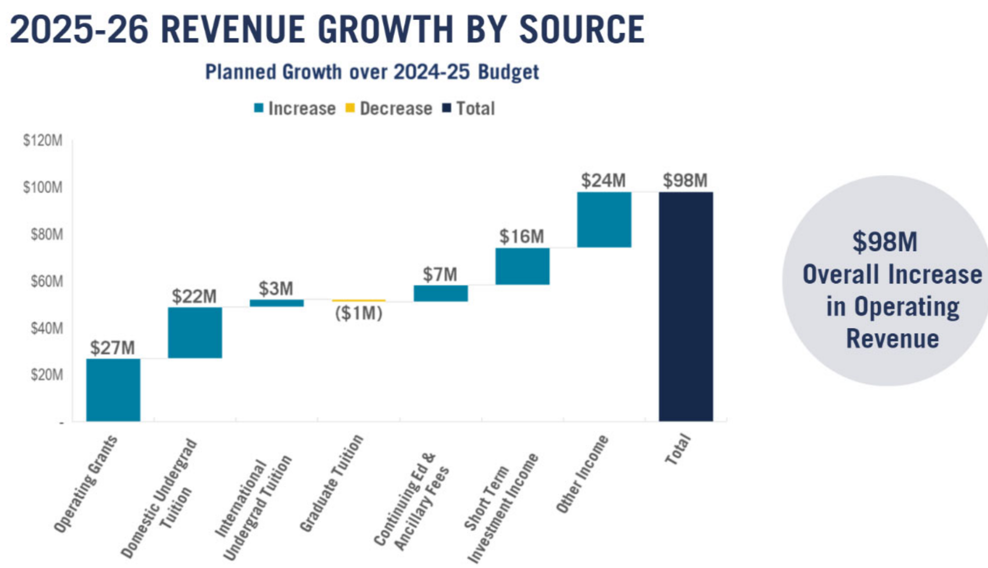
[5] Report of the Advisory Group on Lifelong Learning Opportunities. https://www.provost.utoronto.ca/wp-content/uploads/sites/155/2021/06/Lifelong-Learning-Report_FINAL.pdf

2 Budget Overview

Budget Assumptions: Enrolment and Revenue

Operating revenues are derived primarily 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 operating revenue of $98 million in 2025-26 (2.8% over 2024-25) to total revenue of $3.62 billion, and total growth of $630 million over the five-year planning period. However, if planned international enrolment growth is not achieved, revenue growth would be about 1.3% in 2025-26.

Figure 7: Budgeted revenue growth



Enrolment

The 2025-26 Budget assumes a small increase in undergraduate direct-entry intake of 110 students (0.7%) over Fall 2024 actuals. Domestic intake targets are unchanged for 2024 but will result in a decrease of 733 in the incoming cohort because of the over-enrolment last year. Given the more challenging market, international intake plans are slightly reduced but still include an increase of 843 students compared to 2024 actuals. With the improved retention rates, undergraduate enrolment across all years of study is planned to increase by 836 FTEs in 2025-26.

Overall, the international student market seems to have stabilized somewhat with applications at a similar level as last year as of January 2025. However, within these numbers, applications from international students enrolled in Canadian high schools are up significantly, offsetting a decline in out-of-country applicants. This is reasonably positive news following declines in applications over the last two years, but the decrease in out-of-country applicants likely reflects damage done to Canada's reputation by the recent changes to immigration policies. Divisions are actively engaging with prospective students to maximize yields and limit melt over the summer and are optimistic that their plans can be met from this pool. They are strategically deploying the substantial investments in International Scholars awards (discussed later in this report) to further diversification goals and meet intake targets.

Domestic applications are very strong so far this cycle with a 10% increase in applicants as of January building on the record number of domestic applications received last year. Under the SMA plan, domestic undergraduate enrolment will be maintained within the flexibility of the fixed provincial funding envelope, excluding the targeted expansion programs in nursing, medicine, and SAMIH that will be funded separately. However, the flow-through of the higher than planned incoming cohort in Fall 2024 will temporarily put us slightly over our corridor ceiling. While we are pleased to see the strong demand from students, this additional domestic enrolment does not come with any operating grant funding so we cannot maintain this level of intake without additional funded spaces.

Domestic enrolment is projected to increase by 519 FTEs over the next five years, reflecting the limits of our funded corridor and SAMIH expansion funding. However, the University has capacity for additional domestic growth if the Government provides expansion funding. This is a key point of advocacy for SMA4. Divisional plans also include growth of about 1,700 FTE international undergraduate students over the planning period, including growth on all three campuses. These plans would increase international enrolment slightly to 31.6% of total undergraduates. A high-level summary of enrolment plans is shown in Tables 1 and 2.

The University was successful in achieving its graduate enrolment targets and claimed all available funding from the Province during the period of the second Strategic Mandate Agreement (2017-2020). Funding for further graduate growth has been frozen during SMA3 but there is demand for another 1,700 graduate spaces beyond our current funded levels. Funding for these spaces remains a point of advocacy in negotiations with the Province and there have been some signals that growth in STEM disciplines may be available during SMA4.

Table 1: Enrolment (Full-time Equivalent) by Domestic-International Mix, 2024-25 and Planned to 2029-30

	2024-25	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
UG Domestic	49,195	49,915	50,245	50,435	49,739	49,714
UG International	21,240	21,355	21,856	22,278	22,802	22,937
% International	30.2%	30.0%	30.3%	30.6%	31.4%	31.6%
Grad Domestic	14,975	15,434	15,855	16,321	16,589	16,914
Grad International	5,836	5,711	5,740	5,814	5,822	5,863
% International	28.0%	27.0%	26.6%	26.3%	26.0%	25.7%
Total FTE	**91,245**	**92,415**	**93,697**	**94,848**	**94,953**	**95,429**

Table 2: Enrolment (Full-time Equivalents) by Degree Type, 2024-25 and Planned to 2029-30

	2024-25	2025-26P	2026-27P	2027-28P	2028-29P	2029-30P
UG St. George	44,486	44,647	44,574	44,620	44,021	44,035
UG UTM	13,836	13,655	13,837	13,744	13,683	13,672
UG UTSC	12,112	12,969	13,691	14,349	14,837	14,944
Total Undergraduate	**70,434**	**71,270**	**72,102**	**72,713**	**72,542**	**72,651**
% Undergraduate	77.2%	77.1%	77.0%	76.7%	76.4%	76.1%
Profess. Master's	10,132	10,331	10,642	10,917	10,977	11,072
Doc. Str. Master's	2,600	2,730	2,851	2,931	2,980	3,003
Doctoral	8,079	8,084	8,103	8,288	8,454	8,703
Total Graduate	**20,811**	**21,144**	**21,595**	**22,135**	**22,412**	**22,778**
% Graduate	22.8%	22.9%	23.0%	23.3%	23.6%	23.9%
Total FTE	**91,245**	**92,415**	**93,697**	**94,848**	**94,953**	**95,429**

Tables 1 and 2 include enrolment in conjoint programs with the Toronto School of Theology (TST) but exclude enrolment in non-conjoint TST programs.

Additional details and discussion of future enrolment plans are contained in the 2024-25 Enrolment Report.

Operating Grants

Operating grants currently comprise 20% of the University's operating budget, the lowest proportion of government funding for any major publicly funded university in the country. Details of operating grants are included in Appendix B, Schedule 2. Based on information provided so far, under SMA4, base operating grant funding is expected to remain frozen over the planning period, with a shift in the balance between enrolment-based and differentiation-based funding envelopes. Under the Province's current plan, 25% of total operating grant funding will be linked to the SMA4 performance metrics in 2025-26 and 2026-27 and then increase annually to 40% by 2029-30. Given the University of Toronto's strong performance, the long-range budget guidelines assume retention of all performance-based funding throughout the planning period.

The budget assumes the following for provincial operating grants:

- Base operating grants will remain stable at approximately $660 million annually with 25% of total funding linked to SMA4 performance metrics in 2025-26, ultimately increasing to 40% by 2029-30.
- The Postsecondary Financial Sustainability Fund will provide $33.9 million in 2025-26, increasing to $48 million in 2026-27 as per the Government's announced plan. The long-range plan assumes continuation of this funding at $48 million beyond 2026-27, and this continues to be a point of advocacy with the Government.
- Operating grants will continue to be reduced by $750 per international undergraduate and master's student under the International Student Recovery deduction.
- The Government will continue to fund the nursing enrolment expansion program over the planning period ($1.3 million on top of base funding).
- Funding for the SAMIH and medical enrolment expansions will rollout as planned, growing from $12.5 million in 2025-26 to $26 million in 2029-30 on top of base funding.

While the University is advocating for additional domestic enrolment growth funding in STEM fields, this has not yet been incorporated into the long-range enrolment or budget plans.

Student Fees

A breakdown of fee revenue, including tuition, 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.

As noted earlier, the Government has extended the freeze on domestic Ontario resident tuition fees until at least 2026-27. As a result, the Budget assumes continuation of the freeze for this group, while tuition for non-Ontario residents in undergraduate programs will increase by 5%, consistent with the frameworks in place since 2021-22. The increase in Non-Ontario Resident undergraduate tuition will provide about $5 million in revenue growth in 2025-26.

In 2023-24, the Government approved anomaly adjustments to tuition fees across the Province that are significantly below the sector average for comparable programs. Under this initiative, anomaly increases were approved for our research stream Master of Arts and Master of Science programs as well as our Master of Science in Applied Computing. Special increases of up to 7.5% annually are approved to close the gap. Consistent with our multi-year plan, tuition for incoming students in these programs will be increased by 7.5% in 2025-26. Tuition increases for continuing students will be limited to 5% under the University's fee level commitment.

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. Undergraduate international fees in direct-entry arts & science programs will increase by 3% in 2025-26, while fee increases in other programs vary according to their local factors. Overall, the average tuition increase for international students will be 2.9% across all undergraduate and graduate programs. Details on proposed tuition fee increases by program can be found in the 2025-26 Tuition Fee Report, which is presented 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 the Province. Examples include language, creative writing, and professional development programs in the School of Continuing Studies, and executive education programs in many professional Faculties. Ancillary and incidental fee revenue results from non-tuition related fees covered under the Ministry's framework. This includes fees in categories such as: student services, health services, athletics, Hart House, college fees, student society fees, cost recovery fees, and administrative user fees and fines.

Canada Research Chairs and Indirect Costs of Research

The University's allocation of 341 Canada Research Chairs includes additional chairs resulting from the Federal Budget 2018's investment in the program. These additional chairs were phased in over a period of three fiscal years to 2021-22 and have been instrumental in boosting the University's representation of the four federally designated groups (women, visible minorities, persons with a disability, and Indigenous Peoples) among our CRC holders. The long-range budget guidelines assume an allocation of 341 Canada Research Chairs (both campus-based and hospital-based) in each year of the planning period. However, a national reallocation is anticipated for 2028 that may result in a small reduction to the allocation for the University and our hospital partners. This will be reflected in future updates of the long-range plan.

The budget assumes a recovery from the Federal Government's indirect cost of research funding programs of $26.7 million in 2025-26, including the University's anticipated share of the recently announced IPG funding increase ($1.3 million increase projected for 2025-26).

Revenue from indirect costs on private sector-sponsored and other research funding agreements, and on funds awarded through the Ontario Ministry of Research and Innovation (MRI), is projected to increase to $24 million in 2025-26 (from $19 million planned for 2024-25). The University's Guideline on Full Cost Recovery in Research[6] sets the minimum level at the nationally accepted 40 percent unless the research sponsor has a different published rate. The Division of the Vice-President Research and Innovation works closely with academic divisions to ensure awareness of this guideline given the direct impact on their operating budgets from this revenue source.

In 2023, the University was awarded a $200 million grant under the Canada First Research Excellence Fund (CFREF) to revolutionize the speed and impact of scientific discovery through its Acceleration Consortium. This is the largest Federal research grant ever awarded to a Canadian university and will come with both direct research grants and funding to support indirect costs of research. The annual indirect costs of research support for the CFREF program are managed outside of the primary Federal Government's program and is included in the other research overhead revenues described above.

As part of the SMA3 funding framework changes, the provincial Research Overheads Infrastructure Envelope (ROIE) was frozen and rolled into the University's Differentiation Envelope. However, as the ROIE supports indirect costs of research, the University continues to track and internally allocate this revenue separately from the remainder of the performance-based funding. For the purposes of the internal allocations, the ROIE is assumed to remain constant at $12 million annually, the value of the grant prior to the funding framework changes.

Investments and Other Income

The University of Toronto has many generous friends and benefactors, who have contributed total endowments in excess of $3.62 billion (fair value at April 30, 2024). Endowment income is highly targeted and the portion that is included in the operating budget is directed primarily to student financial support and to the support of endowed chairs, representing a modest but important 2.9% of the University's total operating revenue in 2025-26. 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, which is updated 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 of 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 returns are high. 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, 2024, the endowment held a reserve of $543 million 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.

Investment markets have had a very strong year, driven largely by outperformance of the world's largest and most influential technology companies. The University's diversified LTCAP portfolio has also performed well, although private investment valuations have not kept up with the continued strong and highly concentrated returns in public equity markets. LTCAP returns from May to November 2024 were approximately 10.0%, which is above the target return of 4% plus CPI.

Given the current inflationary environment and strong position of the reserve for preservation of capital, the University is planning to increase the endowment payout to $10.63 per unit this year. This represents a 6.6% increase over the April 2024 payout. If investment returns remain unchanged for the rest of the year, the combined impact of inflation and the endowment payout would increase the reserve for preservation of capital above inflation to approximately $561 million.

[6] https://research.utoronto.ca/media/108

In 2024, the University introduced a new advancement investment model to scale up the University's capacity to meet its fundraising goals, while reducing pressure on the operating budget. This Advancement Investment Model (AIM) sets aside a modest portion of the endowment payout (0.26% out of the target 4.0% annual distribution) to invest in fundraising and engagement growth and deepen the impact of philanthropy for the University community. For 2025-26, the projected payout rate would result in $69 million for student financial support, $26 million for endowed chairs, and $8 million for AIM, which is reflected in the operating budget. The actual payout rate per unit will be determined and announced in March 2025. The payout rate is assumed to remain steady for the remaining four years of the planning period.

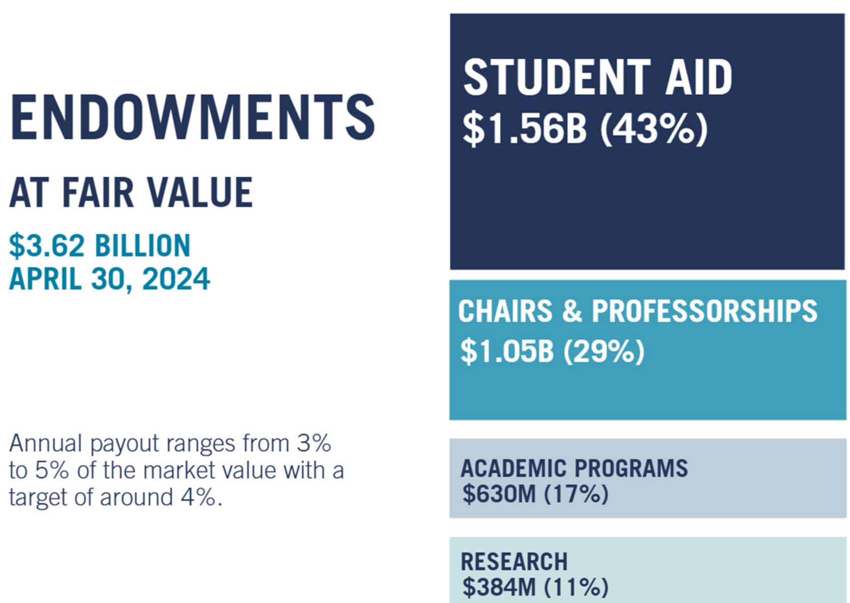
The University also receives investment income from short-term, medium-term, and long-term investments of the Expendable Funds Investment Pool (EFIP). The short-term and medium-term investments are primarily managed by the University of Toronto Asset Management Corporation (UTAM), while the long-term 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 relatively small but growing portion of total operating revenue (3.6%) and fluctuates with market conditions.

The investment income projection is based on assumptions of cash balances, revenue and expenditure rates, divisional reserve balances, planned transfers of operating funds to capital funds, cash donations, research revenue forecasts, and investment return rates. Rates of return on short-term investments have risen over the last year. The short-term rate of return is assumed to be 3.00% throughout the planning period, while the medium-term rate of return is expected to remain stable at 3.20%.

The 2025-26 Budget assumes $130 million in revenue from this source, a 14% increase over the 2024-25 budget.

The University is also planning on other income of $167 million in 2025-26 from sources such as application fee revenue, service charges on overdue accounts, and revenue collected directly by divisions for general sales and services.

Figure 8



Budget Assumptions: Expenditures

Commensurate with revenue increases, total expenditure plans are projected to increase by 2.8% from $3.52 billion in 2024-25 to $3.62 billion in 2025-26. Rates of growth vary significantly by division so the allocation of resources must be carefully considered to ensure standards of excellence in teaching, research and the student experience are maintained across the University. Academic divisions are responsible for their own increases in expenses, including the cost of compensation increases, and they will implement internal cost containment measures as necessary according to their individual circumstances. It is also important to note that these plans include provisions for future spending on major capital projects and other priorities as well as current capital projects that are not expensed in the Operating Fund

Expenditure projections overall and by division are included in the budget schedules in Appendix B.

Compensation

Approximately 66% of operating budget expenditures fund salaries and benefits, including 2% of expenditures for the pension risk contingency. Increases in compensation expenses are due to negotiated increases for existing employees; the hiring of additional faculty and staff needed to support growth in student enrolment, expansion of student services, and research activity; and increases in the cost of some benefits.

As noted above, last year, following the Ontario Superior Court's November 2022 decision to strike down the Government's Protecting a Sustainable Public Sector for Future Generations Act, 2019 (Bill 124) (commonly known as Bill 124), the arbitrator awarded a 7% retroactive increase to Faculty and Librarians effective July 2022, in addition to the 1% negotiated under the then-active Bill 124. This 7% special increase has since been applied to unionized and administrative staff as part of a total 9% increase for these groups over the course of 2023-24 and 2024-25 (timing varies according to expiration of previous agreements).

These extraordinary increases have outpaced revenue growth and are continuing to have a significant impact on divisions, impacting other priorities over multiple years as they absorb these costs into their base budgets. While negotiations with the Faculty Association continue, the majority of unionized employee groups have agreed to a framework of a 2% ATB increase followed by 1.8% in the years following the large increases, more in-line with historical trends. The 2025-26 plan assumes compensation costs will increase to $2.38 billion, an $85 million increase over the prior year budget. This includes a $95 million increase in anticipated salary and benefit costs, offset by the planned $10 million reduction in the pension risk contingency budget.

Academic divisional budgets must cover the full cost of compensation increases. Shared-service divisions receive funding to cover compensation increases as part of the University-Wide Cost allocations. 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 will be engaged in collective bargaining with a number of unions, as well as the Faculty Association, to renew agreements as noted in Table 3. Compensation terms for future agreements will not be known until bargaining is completed.

- In the cases where there is no agreement in place, divisions plan for compensation increases within the context of the University's constrained revenues. 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 increase to 25% for appointed staff and 10.5% for non-appointed staff in 2025-26. The increases are required to fund pressures on the cost of legislated and negotiated benefits.

Figure 9

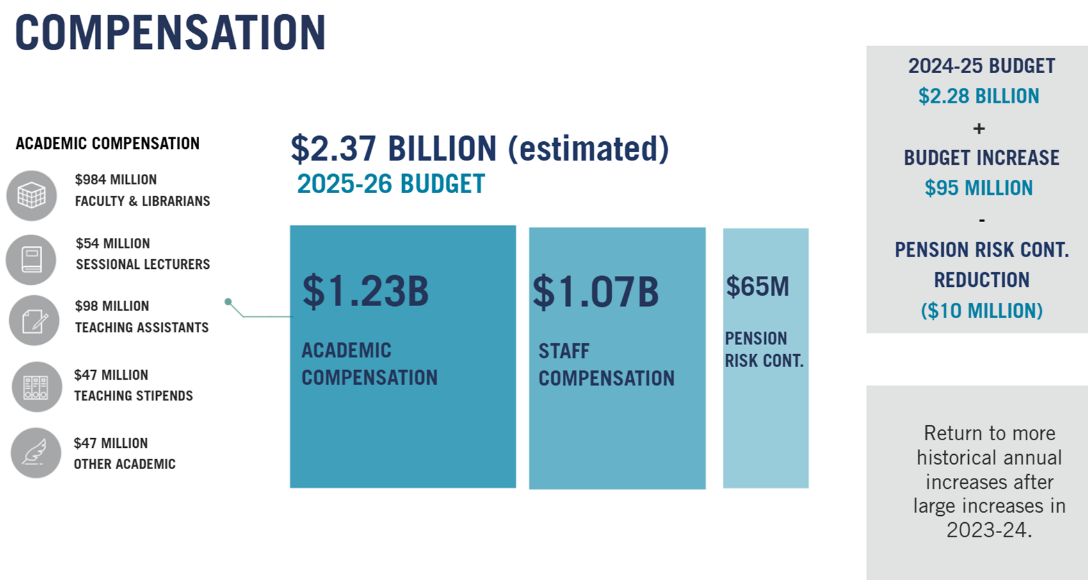


Table 3: Collective Agreement Expiry Dates

Agreement	Expiry
University of Toronto Faculty Association	Jun 2023
USW 1998: Administrative and Technical Staff	Jun 2026
USW 1998: College Residence Dons	Dec 2024
CUPE 3902U1: TAs, Course Instructors	Dec 2026
CUPE 3902U3: Sessional Instructors	Aug 2024
CUPE 3902U5: Postdoctoral Fellows	Dec 2025
CUPE 3092U6: New College IFP Instructors	Dec 2024
CUPE 3902U7: Graduate Assistants at OISE	Aug 2024
CUPE 3261: Service Workers	Jun 2026
CUPE 3261: 89 Chestnut	Dec 2026
CUPE 1230: Library Workers	Jun 2026

Agreement	Expiry
IATSE 58: Stage Employees at Hart House	Aug 2026
CUPE 2484: Day Care Workers	Jun 2026
OPSEU 519: Campus Police	Jun 2026
OPSEU 578: Research Officers & Assistants at OISE	Jun 2026
CAW 27: Carpenters	Apr 2022
Unifor 2003: Engineers	Apr 2027
IBEW 353: Electricians	Apr 2027
IBEW 353: Locksmiths	Apr 2027
IBEW 353: Machinists	Apr 2027
SMWIA 30: Sheet Metal Workers	Apr 2027
UA 46: Plumbers	May 2027

Pension Risk Contingency Budget

On January 1, 2020, the university administrations, faculty associations, unions, and non-represented staff at the University of Toronto, the University of Guelph, and Queen's University formally established a jointly sponsored pension plan to cover employees and retirees in the existing plans at all three universities. The assets and liabilities of the former University of Toronto Pension Plan (RPP) were transferred to the new University Pension Plan Ontario (UPP) on July 1, 2021, the effective date of the commencement of accrual of the benefits and contributions under the UPP.

The UPP Funding Policy dictates that for the first 10 years following the conversion date, participating universities remain responsible for any gains or losses that arise related to transferred-in assets and past service liabilities. Over the subsequent 10-year period, responsibility for any further gains or losses will be shifted gradually toward 50/50 risk sharing between employers and employees. Deficits may arise due to lower-than-expected investment returns and other experience losses, or changes to actuarial assumptions that impact the valuation of past service liabilities. Such deficits would require the University to make additional special payments to the UPP over a 15-year period.

The operating budget includes a pension special payment budget that will be gradually reduced, but not eliminated, as a contingency against this pension special payment risk. The annual pension special payment contingency budget will be reduced from $75.4 million to $65.4 million in 2025-26 and then to $50 million in 2026-27 and remain at this level going forward. This will generate a pension risk reserve of $425 million for one-time lump sum transfers by 2029-30, and an ongoing base budget of $50 million to fund additional annual special payments if required.

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). University Fund allocations are determined annually so incremental funding generated from future revenue growth beyond 2025-26 is included separately on the University Fund budget line and not included in Academic Expense Budgets.

Academic divisional plans include hiring of tenure and teaching stream faculty; enhancement of student services; funding of compensation increases; introductions of 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 increased doctoral student funding. 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 unrestricted operating revenue to divisions, taking into consideration the divisional and University-wide academic priorities emerging from discussions during annual budget reviews.

The total amount available for allocation in 2025-26 is $21.8 million, including $8.7 million from incremental revenue and $13.1 million of prior year one-time-only funds that are available for re-allocation. A detailed discussion of strategic priorities funded through 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 13 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.

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 Operating Agreements which were successfully renewed in June 2024. Under the new agreements, the University has agreed to increase the Block Grant to reflect current costs and service expectations.

University-wide and campus costs in 2025-26 will total $851 million, excluding the pension risk contingency budget described above. Occupancy costs, including utilities, maintenance, caretaking, and deferred maintenance make up the single largest university-wide cost category, totaling $260 million across all three campuses for 2025-26. Under the University's budget model, academic divisions are responsible for covering the operating costs of their space. Utilities costs are expected to increase next year and the 2025-26 budget includes $2 million in additional funding for this.

Library costs are the second largest category at $133 million for 2025-26, including budgets for centrally funded libraries and libraries at UTM and UTSC. The budget includes the cost of collections, space and administrative and librarian services.

Operating budgets for remaining shared service portfolios total $284 million for 2025-26, including funding for compensation increases, net of a 1.5% across-the-board cost containment measure of $5 million.

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 $80 million in 2025-26.

University-wide expenses also include $63 million in special initiative funds held by Vice-Presidents for distribution to academic divisions throughout the year, such as the International Fund, Major Research Project Management Fund, Cross-Divisional Research Initiatives Fund, Provost's Matching Fund, Instructional Technology Fund, and the Strategic Priorities Fund, which is funded from a portion of the savings from the pension contingency budget reductions.

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, including:

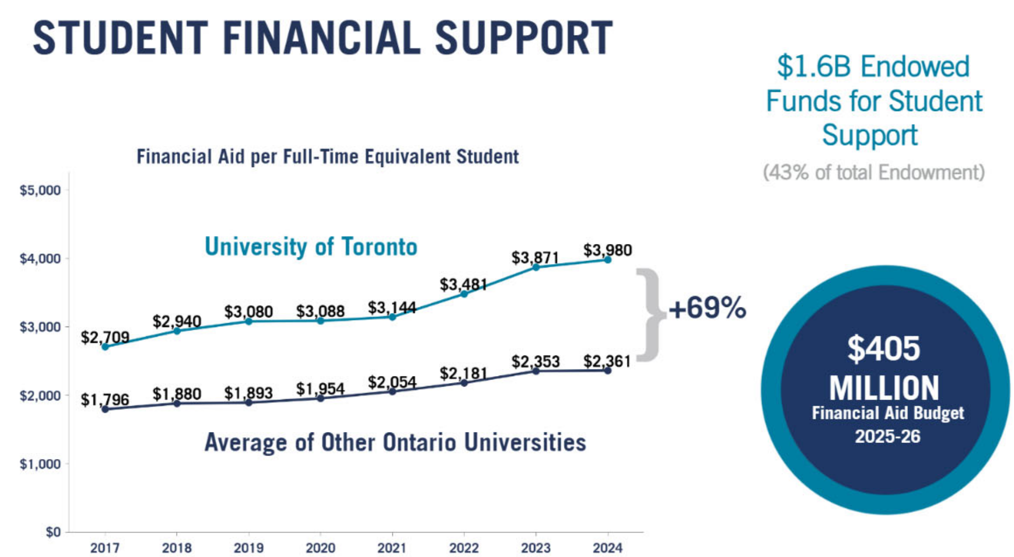
- Canada Research Chair revenue flowing to partner hospitals
- Provincial grant revenue flowing to the Toronto School of Theology
- Grant and tuition revenue flowing to the Michener Institute, Sheridan College, and Centennial College with which the University offers joint programs

Student Financial Support

A breakdown of the proposed student financial support budget plan for 2025-26 to 2029-30 is shown in Appendix B, Schedule 3. Total spending is projected at $405 million for 2025-26. Note that this amount excludes external funding and internal employment income for doctoral stream graduate students. The majority of student financial support is derived from operating funds, with $69 million funded from the University's endowments, and $10 million from provincial scholarship grants. The funds are managed through both centralized programs as well as divisional programs.

A comprehensive view of the University's financial support and graduate student funding programs is provided in the Annual Report on Student Financial Support 2023-24. A discussion of the relationship between tuition fees and student financial assistance is also included later in this report.

Figure 10: Student Financial Support



Planned Statement of Operations

As described in Figure 1, the University manages revenues and expenses across four funds: Operating, Ancillary, Restricted, and Capital. This report focuses almost exclusively on the Operating Fund where the majority of the University's operating revenues and expenses are recorded and outlines a **balanced cash-based operating budget**. At year-end, the University's annual Financial Report will summarize actual results across all four funds and will include various adjustments required under not-for-profit accounting standards. Schedule 6 provides a projection of the consolidated statement of operations for 2025-26 using the same assumptions outlined in the operating budget and is presented in a layout consistent with Canadian accounting standards for not-for-profit organizations.

Operating Fund

The operating fund includes teaching and administrative activities supported mainly by government operating grants, student fees, short term investment income, and sales of supplies and services.

The University's standard practice is to present an operating budget that is balanced on a cash basis. What this means in practice is that the overall operating expense budget, including provisions for capital spending and funds to be set aside for future spending, matches forecasted operating revenues for the year. This is a conservative approach that ensures that the University has the cash assets to support both its current year and planned future expenditures.

However, under Not-for-Profit accounting rules, funds spent on capital projects are not recorded as in-year direct expenditures but instead are amortized over the expected life of the asset – 40 years in the case of buildings. Similarly, funds set aside in reserves for future priorities are not recorded as expenditures in the current fiscal year, nor is the funding reserved for the pension risk contingency. The 2025-26 Operating Budget assumes the following:

- $59 million will be spent on capital projects from current year revenues.
- $64 million of current year revenues will be spent on items that will be capitalized (e.g. equipment, furniture, etc.).
- $40 million will be set aside for future major capital projects.
- $15 million will be set aside in reserves for other priorities.
- $65 million will be set aside in a pension risk contingency reserve and will not be expensed in 2025-26.

In addition, the accounting treatment of debt service costs differs between the operating budget and the annual financial statements. The operating budget includes a provision for all principal and interest payments on mortgages, including those issued from both external sources and from the University's expendable funds. The consolidated statement of operations includes only the interest expense on long-term external debt. When these accounting adjustments are considered, the University is projecting a net income of $200 million in the Operating Fund for 2025-26.

Ancillary Operations

Ancillary operations include operations that provide residences, residential housing, food and beverage services, conference services, parking/transportation services, Hart House, real estate services and U of T Press. All ancillary assets, liabilities, net assets, revenues, and expenses are recorded in this fund.

Residence operations have fully rebounded to pre-pandemic occupancy levels of close to 100% and are projecting strong results for 2025-26. Food services and parking/transportation, however, are still facing some challenges as on-campus activity continues to be depressed, in particular on the St. George campus.

Collectively across all units, ancillary operations are projecting a $27 million net income for next year.

Restricted Funds

Restricted funds include donations (including endowments), research grants and contracts. Each donation, usually supported by an agreement between the University and the donor, or a collection of small donations with similar purpose, is recorded in its own fund, and managed according to agreed upon terms and conditions. Similarly, each research grant or contract is recorded in its own fund and managed in accordance with the terms and conditions required by the sponsor of the funds. There are several thousand individual restricted funds.

Restricted grants and expendable donations are recorded as revenue only when spent, while unrestricted grants and expendable donations are recorded when received. Endowed donations are not recorded as revenue – they are added directly to the balance sheet and only the annual payout is recognized as revenue as it is made available for spending.

Given the thousands of restricted accounts, the University does not prepare a detailed forecast of Restricted Funds beyond the annual payout for student financial support and endowed chairs that is reflected in the Operating Budget. The projection of $766 million revenue and $703 million expense included in Schedule 6 reflects a roll-forward of the current-year forecast of revenue and expenses in Restricted Funds.

Capital

The capital fund includes all capital assets – land, land improvements, buildings, furnishings, computers, etc. - except for those of the ancillary operations. Contributions to the University for capital assets other than ancillaries are recorded in this fund. This fund also holds the vast majority of the University's debt and in turn lends it out for capital construction and other projects to departments or operations that have the responsibility to repay the loan.

Capital fund revenues are projected to be $106 million and expenses at $217 million, for a net loss of ($111) million in 2025-26. Revenues include an amount equal to the amortization of capital assets that were financed by grants and donations, while expenses include the amortization of capital assets.

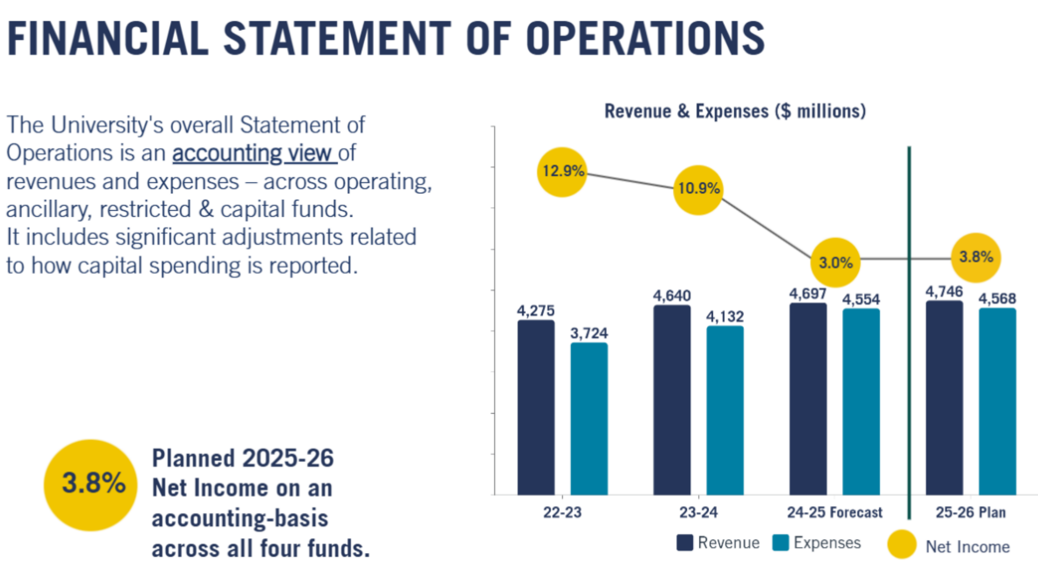
The reason for annual net losses in the capital fund is that a significant share of the revenue funding the amortization of capital assets and funding capital projects is recorded as revenue in the operating fund and transferred to the capital fund as an interfund transfer, and therefore is not reported in revenues of the capital fund.

Overall Net Income

On this basis, the University is projecting a consolidated net income of $178 million or 3.8% in 2025-26 across the four funds, exceeding the Provincial Government's minimum threshold of 1.5%. However, it is important to note that this is an accounting view of the University's finances that defers recognition of revenues and expenses over the useful life of the underlying assets. While this is important for monitoring long-term financial sustainability, it should be seen as a complementary perspective to the operating budget, which reflects the way in which the University plans to allocate cash received in the coming year toward both short-term and long-term commitments.

The operating fund spending plans reflect the institutional and divisional priorities for the coming year, which include substantial investments into capital projects to address deferred maintenance across all three campuses, renew smaller spaces, fund construction of major capital projects such as SAMIH, and set aside reserves for future major capital projects. The accounting treatment of these long-term commitments, as well as funds reserved for the pension risk contingency, are the primary drivers of the projected net income for next year.

Figure 11: Planned Statement of Operations



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.

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 support and is guided by the 1998 Governing Council Policy on Student Financial Support, which will continue to drive funding for need-based financial support for domestic students.

The policy sets out the principle that domestic 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, Strategic Enrolment Management and the University Registrar, in consultation with the academic divisions of the University. The Province's Student Access Guarantee (SAG) requires institutions to provide non-repayable aid to assist domestic, OSAP-eligible students in direct-entry undergraduate programs with expenses related to tuition, books and supplies not covered by OSAP. The University's commitment goes above and beyond these requirements and also provides aid for living expenses.

Undergraduate & Professional Programs Financial Assistance

The University's primary mechanism for providing need-based aid to OSAP-eligible, direct-entry, domestic undergraduate students is the University of Toronto Advance Planning for Students (UTAPS) program, which supported more than 10,000 students in 2023-24. Need-based aid for domestic students in second-entry and professional master's programs is administered in divisionally-run programs, allowing for a more individualized and tailored approach to providing assistance. Divisional programs are also supported where necessary by access to an institutionally negotiated line of credit.

In 2023-24, the University made significant changes to the UTAPS program to make it more responsive to student needs and less impacted by changes in the Government's OSAP need assessment policies. These changes give the University greater flexibility to grant financial support earlier and to consider more accurate living costs for the GTA in need calculations. This has allowed for a much more targeted allocation of UTAPS support focused on the students who need it most.

University practice has been to link the change in the UTAPS budget to the domestic fee framework. While tuition for Ontario resident students remains frozen, increases to non-Ontario resident tuition and growth in the domestic population will increase need for UTAPS support. In response, the 2025-26 budget includes a 3% increase to UTAPS bringing it to $41 million, which is then topped up by about $2 million in funding from endowments including the Boundless Promise Program. While UTAPS is the primary program to meet student financial needs, the University provides additional funding outside of UTAPS to support students facing unexpected financial challenges.

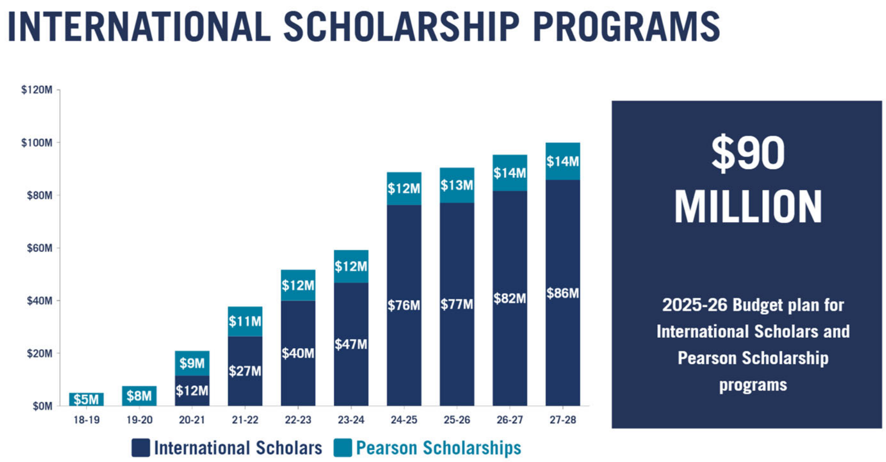
The combination of university and provincial student financial support programs enhances access to the University's excellent education opportunities for a wide array of students. For example, students who receive OSAP typically only pay a fraction of the posted tuition and fees, with the average undergraduate having a net tuition (after OSAP and University grants are factored in) of 32% in 2023-24. This figure has fallen from 47% in 2016-17 because of short-term government policy changes and emergency COVID-19 supports but is expected to return to higher levels as these policies wind down.

Additional information on the University's programs and OSAP can be found in the 2023-24 Student Financial Support Report.

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 undergraduate students is 3.1% in 2025-26 and varies slightly each year thereafter according to divisional plans.

The large direct-entry undergraduate divisions have committed to a significant investment in merit-based scholarships for international students from diverse global regions. Divisions are earmarking 6% of total international undergraduate tuition revenue to support International Scholars awards to reduce the cost for top international applicants from around the world. Each division has designed its own awards program based on diverse criteria including merit, financial need, priority regions for diversification, and intended program of study. The 2025-26 Budget sets aside $90 million for the International Scholars program and the full-ride Pearson Scholarship program for exceptional international students.

Figure 12: International Undergraduate Scholarships



Graduate Funding and Increase to Doctoral Funding Commitment

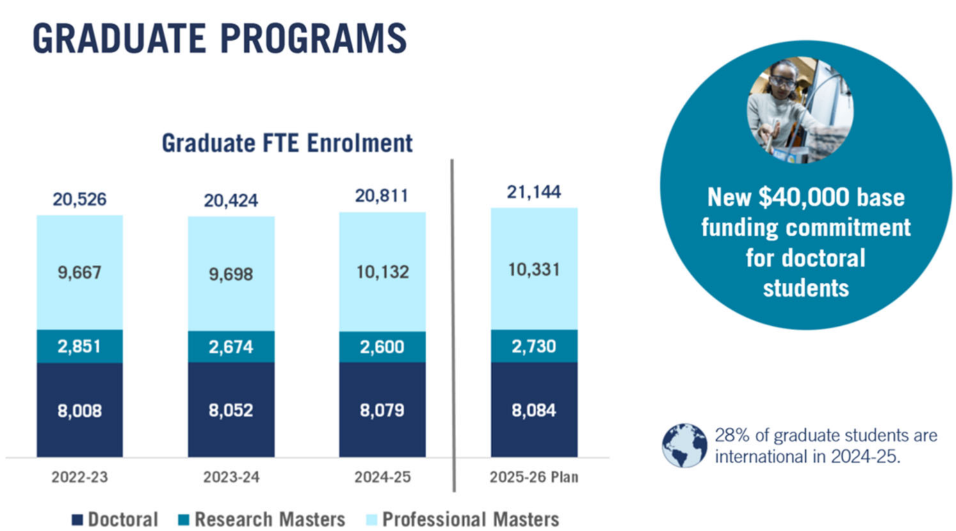
The University provides a base funding commitment for research stream graduate students to cover their tuition fees and provide a stipend for living costs. For most programs, funding is typically provided for up to five years of study which may include a year at the masters level in some programs. Students enrolled during these years are considered to be in the "funded cohort". Separate programs such as the Doctoral Completion Awards can provide additional assistance for students who require longer to complete their program.

The base funding commitment varies by program, but currently ranges between about $25,000 and $40,000 including tuition support, with a few programs exceeding this level. Funding packages can be comprised of a variety of sources including UofT Fellowships, scholarships & awards, research assistantships, employment income (e.g. Teaching Assistantships), and external sponsorships for some international students. Fellowships, scholarships, and some awards are typically reported as financial assistance expenses in the operating budget while employment income is included as a compensation expense. In total, University of Toronto graduate students received $411 million in funding support in 2023-24.

Under the Provost's priority to Empower Research Trainees and in recognition of the increasing costs to live in the GTA, the University will increase the base funding commitment for doctoral students to $40,000 across all programs as of 2025-26. Under this initiative, doctoral students will receive at least this amount of funding to support them in their studies while they are in the funded cohort. Students continue to have the opportunity to earn additional income beyond this level.

This initiative is anticipated to cost approximately $15 million annually beyond the cost of funding currently provided from the operating budget. Divisions have incorporated this into their plans for next year and the Provost has allocated $10 million from the University Fund to help divisions support this priority.

Figure 13: Graduate Enrolment and Funding



Employability

We recognize that an education at the University of Toronto is a significant investment of time and resources, and results in very strong outcomes for our students. The skills that students develop during their time at the 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 1st among North American public universities and 12th place globally. In addition, results from a 2017 Alumni Impact Survey reveal that University of Toronto 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.

Figure 14: Rankings

4 Priority Investments

The University continues to face increasing financial pressure as a result of slowing revenue growth and inflationary pressures on expenses. Within this context of fiscal restraint, revenue growth in 2025-26 will be used to cover inflationary costs, increase student financial support, enhance academic programming and delivery, improve our ability to access research funding programs, and invest in initiatives to provide more efficient and effective services.

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 new incremental operating revenue, taking into consideration the divisional and University-wide academic priorities emerging from discussions during annual budget reviews. In 2025-26, the total amount available for allocation is $21.8 million; including $8.7 million from incremental revenue and $13.1 million of prior year one-time only funds that are available for re-allocation. The Provost has made allocations across three categories:

Student Success ($10.8 million)

- $10.0 million in base funding to divisions to support implementation of the Provost's priority to increase the doctoral (PhD & SJD) student funding commitment to $40,000 across all divisions.
- $250k in base funding to support an increase in funding for Doctor of Musical Arts students who receive funding outside of the doctoral funding commitment.
- $500k in base funding for a new excellence award available to high-achieving doctoral students.

Research & Innovation ($5.7 million)

- $1.7 million in base funding to support divisions with the indirect costs of research.
- $1.3 million OTO for three years for a new initiative to provide direct supports to divisions to increase their success in tri-agency funding programs.
- $1.5 million OTO for three years for additional research supports.
- $600k OTO for two years to develop additional supports for Principal Investigators in accessing complex international funding programs such as Horizon Europe, NIH, and NFS.
- $300k OTO for three years to provide additional operating support to the Black Researchers Network.
- $200k in base funding to support research computation and digital systems strategies.
- $140k in additional base funding to increase the support provided through the Provost's Postdoctoral Fellowship Program that supports Indigenous and Black postdoc researchers.

Investing in Divisional Priorities ($5.3 million)

- $4.3 million in support to divisions for their priorities as well as the increased costs of the new Operating Agreement with our Federated University partners.
- $1.0 million to create a new Operational Excellence Fund that will support divisions with implementation of local initiatives in this area.

Priorities in Academic Divisions

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

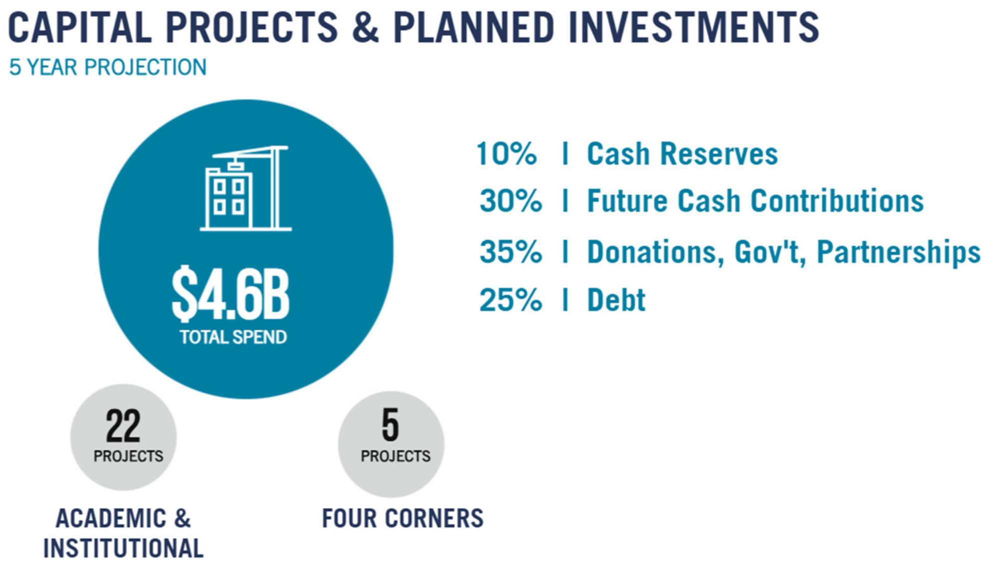
- Continued focus on student recruitment with targeted outreach to improve yields and reduce melt and investments in scholarships to reduce barriers.
- New faculty hiring across many divisions to maintain the high quality of the academic and research mission, expand diversity, and build new programs in emerging areas. However, the extraordinary increases in compensation costs post-Bill 124 are limiting budget flexibility and divisions have had to scale back their plans. As such, divisional plans include adding approximately 15 incremental faculty positions in 2025-26, although, some of these may be delayed as divisions manage inflationary and other pressures on expenses within constrained revenues.
- Additional funding for student financial support programs including resources to meet the goal of increasing the base funding commitment for doctoral students to $40,000.
- Continued enhancement of academic programming to reflect faculty-driven pedagogical innovation and respond to student demand. Examples include significant changes to graduate management programs to introduce shorter cycle programs and new offerings for students without a business undergraduate; changes to the PharmD program to compress it into three years; new academic programs focused on interdisciplinarity, data sciences and health sciences; expanded experiential learning opportunities; and exploration of new micro-credentials. Many divisions also continue to work to integrate new AI concepts and tools into their programming.
- Construction of new academic infrastructure continues to be a priority, such as the Woodsworth Academic Tower, Academic Wood Tower, Lash Miller expansion, and the Indigenous House at UTSC, as well as renewal of classrooms and lab spaces across all three campuses.
- The Faculty of Arts & Science is introducing a new budget model that will improve engagement of Chairs in the budget planning of the Faculty.
- Advancing access and opportunities to students from diverse backgrounds, for example investing in new targeted student outreach programs, dedicated application review pathways, financial supports, academic advising systems, learning spaces, and mental wellness programs. Many divisions are also investing in supports for incoming students, including summer academies that help refresh their high school math, science, or language learning

Shared Service Portfolios

Funding to cover the extraordinary post-Bill 124 compensation increases continues to impact the allocations to shared services for 2025-26 and put pressure on funding available for other priorities. In addition, inflation on utilities, software systems, and other expenses is expected to be significant next year. This has severely limited funding for new initiatives. Other funding priorities for next year include:

- Increased investment in the University's SecureTogether information security programs to mitigate risks facing the University's systems. The focus for 2025-26 will be on a new Identity Management system that will underpin many institutional systems.
- Implementation of a new travel and expense claim system which will lead to significant savings in administrative time that can be redirected towards higher priorities.
- Development of the new Employee Central system which will bring together multiple HR processes and create opportunities for more efficient service delivery.
- Funding for inflationary pressures on electronic library acquisitions.
- Additional staffing in our campus safety operations to improve our ability plan and execute safe responses to incidents on our campuses.
- Additional staffing in our workplace investigations unit to help manage an increase in cases that we have seen over the last five years.
- Brand marketing initiatives to help the University tell our story, and tools to help us monitor the impact of our communications initiatives and inform future plans.

Figure 15: 5-Year Capital Plan



	Planned Projects	Estimated Cost
Academic	15	$2.2B
Institutional	7	$0.6B
Four Corners	5	$1.8B
Total	**27**	**$4.6B**

Capital Projects

The University continues to have ambitious plans for new and renewed capital infrastructure across our three campuses with $4.6 billion in future capital projects in various stages of planning. This is in addition to major projects currently under construction such as the Lash Miller expansion, Academic Wood Tower, and Oak House Residence on the St. George campus; Phase IX residence at UTM; and the Indigenous House project and SAMIH at UTSC.

A total of 27 future major capital projects are in various stages of planning for academic, institutional, and ancillary spaces. This includes future academic capital projects such as the James and Louise Temerty Building on the site of the current MSB West Wing, a new commerce building, and redevelopment of the 215 Huron site on the St. George campus; a new Indigenous build and campus heart renewal project at UTM; and a literature, arts, media and performance building at UTSC.

Divisions will provide a significant portion of the funds for these buildings from their operating reserves and Principals and Deans continue to strive for support from donors and Government partners toward these important projects, with the objective of limiting the amount of long-term debt required. Rapid inflation on construction costs in recent years has increased the cost of many projects and requires an on-going careful review of priorities and timing of planned projects. This is discussed further in the section on Risk.

Inter-fund Transfers

Within the approved budget process, the Provost has discretion to make allocations from operating funds to cover costs in ancillary or restricted funds where those expenditures support academic initiatives. In keeping with the Policy on Inter-fund Transfers, decisions for the commitment of operating funds for ancillary or restricted fund purposes do not need further approval when they are approved within the annual budget process.

The University has had significant success in seeking external donations to enhance academic initiatives by establishing matching programs to create endowments and other trust funds. To meet these matching commitments, some divisions have earmarked ongoing operating funds within their budgets to match the annual payout while others have sought to use operating funds to increase the endowed capital through a match. The 2025-26 budget and long-range guidelines assume that the University will continue to use operating budget allocations for these matching opportunities as they arise.

In recognition of the anticipated need for increased fundraising matching under the Defy Gravity campaign, in 2022-23 the University established an institutional fund to hold divisional operating reserves intended for future matching. Transfers to this institutional reserve are approved by the Provost through the budget process and will improve the University's ability to manage and report on operating reserves. As of April 2024, divisions had set aside $25.3 million in this matching reserve which is available for future opportunities to match endowment gifts.

Ancillary operations provide important services that contribute to the quality of the student experience and campus life. The University is working with ancillary units that were hit particularly hard by the pandemic and may provide support from operating reserves to assist with their deficits in cases where cost containment would jeopardize the unit's ongoing sustainability or critical infrastructure renewal.

In addition to the purposes noted above, the Provost is authorized to transfer operating funds to ancillary or restricted funds up to $2 million per instance during the year, based on requests from the budget authority for those sources.

5 Risk

The Economic and Political Climate

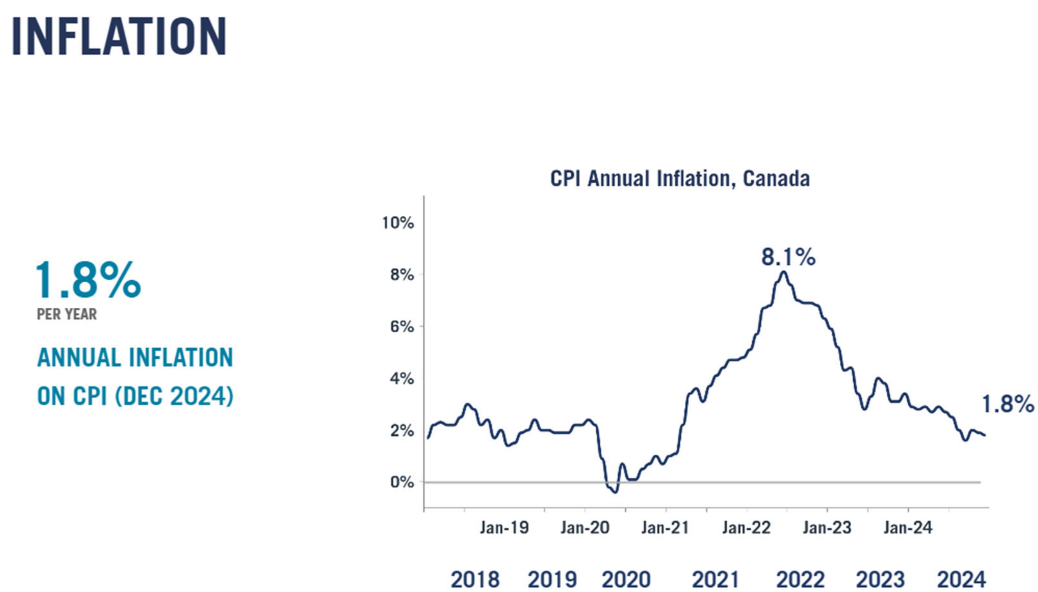
Over the course of 2024, we have seen a general easing of CPI inflation which ended the year at 1.8% in December 2024[7], down from the elevated levels in 2022 and 2023. This is taking some pressure off of the increasing costs of the goods and services that the University purchases.

In January 2025, the Bank of Canada projected that inflation would increase slightly to 2.4% in 2025, driven, in part, by the increased cost of imports with the lower Canadian dollar[8]. However, this does not yet factor in any impacts from a potential trade dispute with the United States which could materially impact price inflation in both countries.

In the October 2024 Ontario Fall Economic Statement[9], the Provincial Government projected a $6.6 billion deficit for 2024-25, followed by a $1.5 billion deficit for 2025-26 before moving into a small surplus position in 2026-27. This improving fiscal situation is positive news for the sector and may present opportunities for new investments in postsecondary education. As noted earlier in this document, the University is seeing extraordinary demand from domestic applicants and is ready to expand our programs to admit more students if the Government will provide additional funded spaces.

On January 29, it was announced that Ontario will have an early provincial election in late February 2025. It is unclear as of the writing of this report what impact this may have on the post-secondary sector, as a new government may have different funding priorities.

Figure 16: Inflation



[7] Statistics Canada. Table 18-10-0004-11 Consumer Price Index, by geography, monthly, percentage change, not seasonally adjusted, provinces, Canada https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810000411

[8] Bank of Canada January 2025 Monetary Policy Report https://www.bankofcanada.ca/publications/mpr/mpr-2025-01-29/

[9] 2024 Economic Outlook and Fiscal Review https://budget.ontario.ca/2024/fallstatement/index.html

Figure 17: International Recruitment

International Recruitment and Study Permits

The University benefits from the presence of top students from across the globe. These international students bring diversity of experiences and perspectives to the classroom and to our research programs and help to connect the University with the world. International students currently make up 30.2% of the undergraduate population on average across all programs with slightly higher rates in direct-entry programs and lower rates in second entry professional programs. The percentage of international students at the University of Toronto is in line with other U15 peer universities, and below that of many research-intensive universities in the UK and Australia.

We have had tremendous success in recruiting exceptional students from China, and we will continue to build on this success where we have deep and long-standing connections. But we also want to ensure that the diversity of our global partnerships is reflected on our campuses. We are committed to diversifying the regional and socioeconomic backgrounds of our student body through active recruitment in diverse global regions; development of partnerships and scholarship programs with governments, charities, and schools around the world; and the significant investment in the International Scholars program. The Fall 2024 incoming class of undergraduate students came from 134 countries, with less than half from any single source.

The Federal Government's policy changes to limit international study permits represents a risk to the University's ability to recruit exceptional students from around the world. The 2025-26 Budget plan includes growth of 843 international students into our direct-entry programs, down slightly from our plan in 2024. While we have received sufficient Provincial Attestation Letters (PALs) to meet our targets, the multiple changes to Canada's immigration policies are impacting Canada's reputation around the world which could impact our ability to meet our growth target. The University faces a risk to our 2025-26 budget plan of about $54 million if intake is limited to Fall 2024 levels.

Our expert recruiters are directly engaged in local markets to promote the University and help with questions around immigration policies to ensure that prospective students know they can still attend the University of Toronto. And divisions are deeply engaged in anti-melt strategies to connect with prospective students and ensure that those that accept an offer ultimately decide to join the University in the Fall.

Figure 18: Student Housing

Student Housing

For students who are moving to the GTA and/or wish to live closer to campus, the availability of student residence spaces is becoming an increasingly important factor in their decision to attend U of T; especially in light of the increasing costs of private housing in Toronto and Mississauga. This is driving higher demand for residence spaces and putting pressure on our first-year residence guarantee.

The University currently has 10,500 residence spaces for its student community, including 9,400 undergraduate residence spaces across the three campuses and at the Federated Universities, and another 1,100 spaces in Grad House and Student Family Housing. Another 1,250 spaces are under construction including the Oak House residence at Spadina and Sussex (500 spaces) that will open for September 2025, the Lawson Centre for Sustainability at Trinity College (350), and the Phase IX residence at UTM (400).

Our first priority for housing each year is to meet our 1st year guarantee requirements, but this leaves significant unmet demand for housing from upper year undergraduates and graduate students. Following the success of the purchase of a 20% leasehold interest in the CampusOne residence on College Street and our experiences working with partners on the Oak House residence (Daniels) and UTSC's Harmony Commons (Fengate), the University is embarking on a new expansion of student housing with private partners. Over the next decade, we are planning to build up to 5,000 new spaces on and in close proximity to our campuses, leveraging the value of our locations and favourable planning regulations.

Costs of Capital Construction

Construction activity in Toronto continues to be at very high levels and the cost of construction has risen accordingly. In the second quarter of 2024, Statistics Canada reported a 40% increase in the Non-Residential Building Construction Index for Toronto since Q1 2021[10]. Elevated construction costs will continue to put pressure on capital plans and timing of major projects. In response, the University has delayed and even outright cancelled some planned major capital projects.

However, the increased interest rate environment has contributed to a slowing of new project starts in the city and led to renewed interest from contractors for institutional projects. While annual inflation on the Non-Residential Building Construction Price Index still outpaces general CPI inflation, it has continued to slow over the last year, down to 4.8% as of Q2 2024, significantly lower than the 15% inflation seen through 2022.

As with any capital project, there are always risks of construction delays and cost overruns caused by unforeseen conditions during construction, labour and material shortages, international trade disputes, city permit delays, and the complexity of working with heritage buildings. The University Planning, Design, and Construction team seeks to mitigate these risks by building market escalation costs, construction schedule assessment, contingency funds, and exploring alternative project delivery mechanisms into future capital project plans. However, estimates of future construction costs are highly variable and depend on the specific functional program, building design, site, and market conditions in place at the time the project is tendered to market. As costs increase, the University may re-prioritize projects and adjust timelines, making judicious use of reserves and debt capacity.

[10] Statistics Canada. Table 18-10-0135-02 Building construction price indexes, percentage change, quarterly, Institutional Buildings, Toronto https://www150.statcan.gc.ca/t1/tbl1/en/cv.action?pid=1810013502

Deferred Maintenance

As noted in the 2024-25 Report on Deferred Maintenance, the University's total deferred maintenance liability on academic and administrative buildings presently stands at $1.5 billion. Each year, new building audit data provide updated information on the condition of University facilities and deficiencies are prioritized based on the urgency with which they have to be addressed.

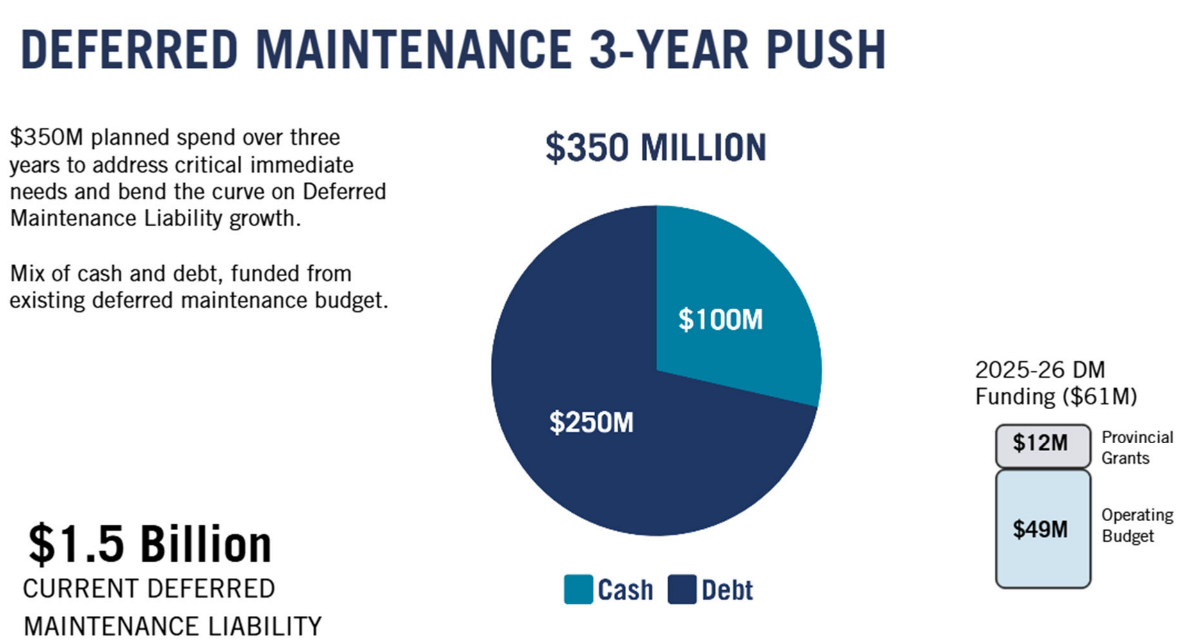
Funding for deferred maintenance has been a significant budget priority over the last decade leading to a doubling of the funding for St. George projects since 2015-16, along with significant investments by UTM and UTSC. However, due to aging infrastructure and construction cost inflations, these increases have not been able to keep pace with the growing liability.

To address critical immediate needs and bend the curve on the growth in our deferred maintenance liability, the University is planning a major 3-year push on deferred maintenance spending. A total of $350 million in projects is planned over the next three years across all three campuses. This will be funded from a combination of $100 million cash and a $250 million debt envelope that will be converted to a 25-year mortgage at completion of the projects. Both the cash contribution and the annual debt service payments will be funded from the operating budget provision for deferred maintenance.

The 2025-26 operating budget sets aside $49.2 million for deferred maintenance across all three campuses which is augmented by funds available through the provincial Facilities Renewal Program (FRP) program ($11.6 million in 2024-25). Note that this is higher than reported in past years as UTM has repositioned a significant portion of its planned infrastructure spending as for deferred maintenance to better reflect the purpose of these funds.

Cash flow will be carefully managed during the major deferred maintenance program to leave some funding available each year to address unexpected failures. At project completion, debt service on the long-term mortgage would tie up about $17 million per year of the St. George deferred maintenance budget at a 7% hurdle rate which would still leave substantial funding available for future DM project needs.

Figure 19: Deferred Maintenance



Budget Challenges

Over the last decade, the University has seen annual revenue growth of around 6% as a result of a significant expansion in enrolment and our international strategy to increase the number of top students from across the world. This extended period of growth has provided the resources to fund our key priorities but has also driven significant increases in costs for new faculty, staff, services, student support, capital construction, and infrastructure improvements. However, as enrolment growth slows and with limits on tuition fees and operating grant funding, revenue growth ahead will be much more constrained and may not be sufficient to cover inflationary pressures on expenses.

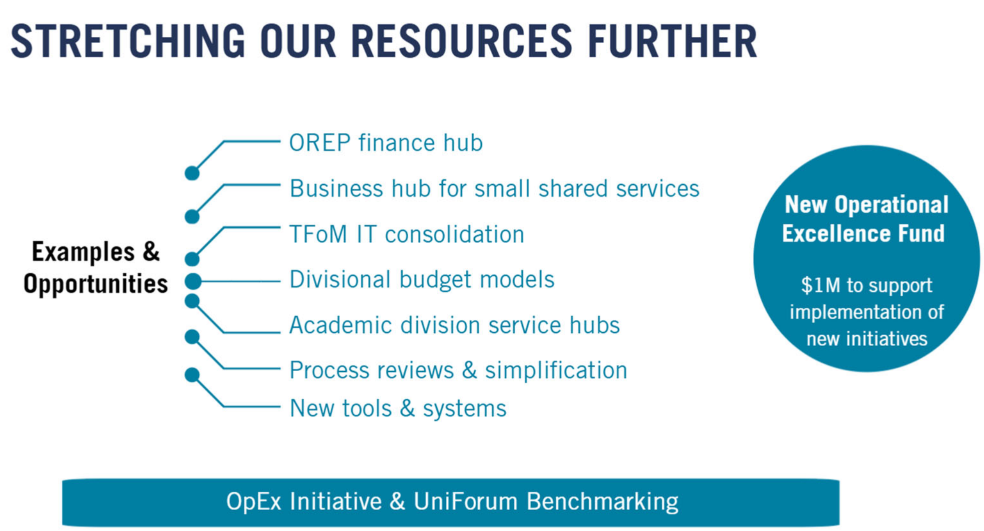
The University is actively pursuing strategies that align with the academic mission and will help to manage the gap between revenue growth and expense inflation. On the revenue side, the University is exploring opportunities to diversify revenue sources through innovative new undergraduate, graduate and life-long learning programs, development of real estate assets, building the endowment and increasing expendable gifts, and advocacy with all levels of government on investments in the sector. But it is even more important for us to look for ways to stretch our resources further on the expense side.

The University continues to be vigilant in looking for appropriate ways of reducing our expenses while maintaining the quality of our academic and research programs and the student experience. Some examples of initiatives include:

- A new consolidated financial services hub for the Operations & Real Estate Partnerships division that will provide a learning opportunity and a model for future initiatives in this area.
- Consolidation of back-office services for small, shared service divisions.
- Consolidation of IT services across the Temerty Faculty of Medicine to improve services and gain efficiencies.
- New activity-based budget models in academic divisions like the Faculty of Arts & Science, that build on the University's model and improve engagement of Chairs in the resource management and planning.
- Work with publishers to reduced inflationary pressures on library acquisitions.
- Renewal of heating, ventilation and lighting controls across buildings that is leading to reduced utilities costs.
- University-wide software license agreements to better manage inflation on critical IT tools.
- The new travel and expense system in development that is expected to free up administrative time that can be redirected to higher priorities.
- A new Employee Central system that will bring together multiple HR processes and create opportunities for more efficient service delivery.

The University has created a new Operating Excellence (OpEx) initiative that brings together experts from across the University to support divisions on opportunities to be more efficient and effective in the delivery of services. This work is informed by data from the University's multi-year participation in the UniForum benchmarking program that includes information on administrative services from universities in Canada, the UK, Australia, and New Zealand. To support this work, a new $1 million Operational Excellence Fund is being created to help with implementation costs of new initiatives.

Figure 20: Operational Excellence Initiatives



Balanced Budget and Operating Reserves

Looking ahead, the University continues to plan for a balanced operating budget. But what does this mean in practice? 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 fully engages divisional leaders in the connection between revenues and expenses.

Through the annual Academic Budget Reviews (ABRs), the Provost meets with each division to review their multi-year plans and discuss how their budget can support their academic priorities. There is a close review of revenue and expense assumptions and how they will continue to balance their on-going expense plans within the revenues available to them. Where there are emerging pressures outside of the control of the division, the Provost may consider targeted investments from the University Fund to help them maintain balance. The Planning & Budget Office and other institutional units provide support to divisions in this work.

As divisions hold a significant portion of the risk related to revenue generation, over time they have set aside reserves as operating contingencies to deal with possible future uncertainties. These reserves also provide them flexibility to fund "one-time-only" (OTO) initiatives such as capital investments, faculty start-up packages, and endowment matching opportunities. Reserves can also provide a source of funding to weather short-term pressures on expenses such as managing the recent large increases in compensation increases by smoothing the impact on base budgets over a few years. However, as they are a limited resource, reserves can only provide bridge funding to give time for more permanent changes to revenue or expense plans.

Divisional operating reserves are normally expected to fall in the range of 5% to 10% of the division's total operating expense budget, excluding those reserves earmarked for contributions to specific capital projects and research initiatives. The University works closely with divisions to ensure that operating reserves are managed within this guideline and that resources are fully utilized to meet divisional and institutional priorities.

Summary

The University continues to plan for a balanced budget, but we are now in a new planning environment with more constraints on revenue growth. Demand for our programs continues to be strong with deep domestic and international undergraduate applicant pools, although changes to Canada's immigration policies are creating uncertainty with international recruitment.

Over the next five years, the University plans to add about 500 additional domestic undergraduate spaces, primarily through the funded nursing, medicine, and SAMIH expansions. We have the capacity to expand further if the Government provides additional funded spaces. International undergraduate enrolment will increase by about 1,700 over the next five years, assuming that intake targets can be met.

Domestic tuition fees for Ontario residents continue to be frozen until at least 2026-27 with some flexibility for non-Ontario Resident tuition. Additional operating grant funding provided through the Postsecondary Financial Sustainability Fund is anticipated over the next two years and is critical to help offset the impact of the continued domestic freeze. However, this funding alone is not sufficient to cover the inflationary costs of the University, so we ultimately need to find growth in both sources of domestic-related revenues – tuition and grants.

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 across all undergraduate and graduate programs will be 2.9% in 2025-26, including a 3% increase to fees in the direct-entry undergraduate arts & science programs.

Revenue growth in 2025-26 will be used primarily to meet compensation and inflationary pressures, and key initiatives to improve services and supports for students and invest in the infrastructure that is critical to supporting teaching, research, and the University community.

As revenue growth slows, the University will be increasing our efforts to stretch our resources further by finding more efficient and effective ways to deliver services across the institution

Appendices

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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 should strive to plan a balanced budget in every year of the cycle. In addition, any outstanding accumulated deficit from previous years should be reduced to zero by the end of the five-year planning period. An in-year deficit may be allowed in some years to facilitate planning, recognizing that fluctuations often occur in enrolments, government grants, investment income, etc. The deficit or surplus in the University's integrated budget is a result of the aggregated plans of individual divisions. A planned deficit may also be necessary in exceptional circumstances. Planned budgetary deficits should also be repaid over five years.

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.

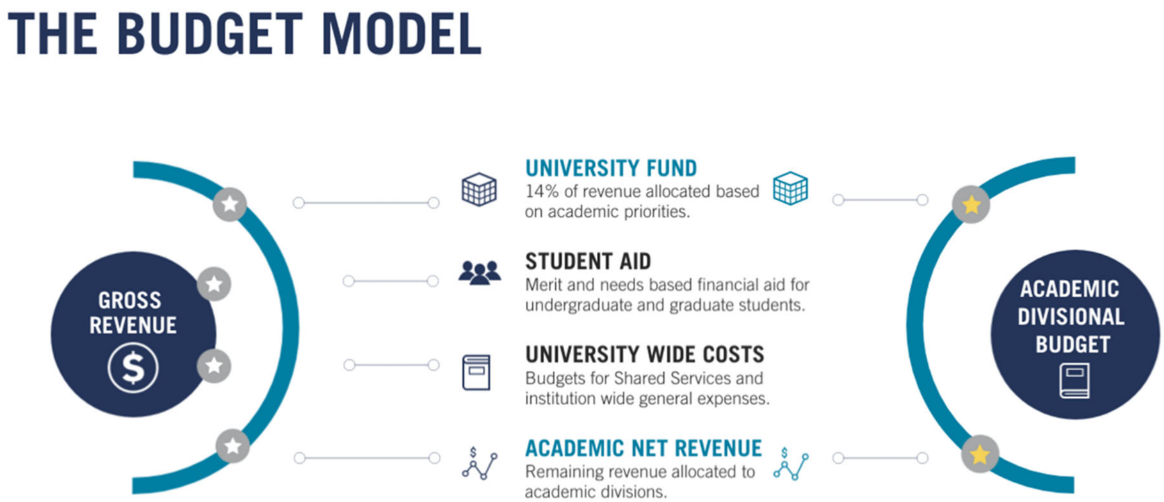
An essential and major part of the annual budget process is the formal process for budgetary reviews for campuses, academic divisions, and shared-service divisions. Two review processes are conducted annually, one for shared-services and the associated university-wide costs, and the other for UTM, UTSC,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

Each shared-service division prepares multi-year budget plans for its operations. These plans are reviewed by the President, who takes advice from the Divisional Advisory Committee (DAC), 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 efficiencies have been examined.

The annual academic budget reviews (ABRs) take place throughout the Fall term. Each academic 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, continuing education activities, advancement outcomes, and other sources of revenue available to divisions. Expense projections take into account factors such as cost increases, changes in faculty and staff complement, student financial support, capital plans, etc. These plans are discussed in individual review meetings with a Provostial committee that includes the Provost, Vice Provosts, and senior staff in the Planning & Budget Office. The reviews inform approvals of enrolment targets, academic appointments, allocations from the University Fund, and approval of the allocation of operating reserves for capital plans and matching priorities.

The review process, whether for academic or shared service divisions, amounts to a high level of engagement in the budget process by Deans, the Principals at UTM and UTSC, and members of the senior administration. 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 priorities. Cost containment measures, which may be necessary because of 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.

Figure 21



The University's Budget Model

The operating budget allocation process is a primary tool for the implementation of the University's academic plans and priorities. The University adopted the University of Toronto Budget Model in 2007-08 with 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 containing 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 (86%) of the budget allocated to academic divisions is based on a formulaic revenue sharing model, in which each division receives a share of the operating revenues generated by its activities, less a contribution to the University's shared expenses.

The process of attributing revenues and costs to campuses and divisions has been designed to minimize administrative overhead. For example, transaction accounting is not used to attribute the cost of services. Instead, revenues and costs are attributed using readily available and verifiable indicators 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 indicators such as the number of students, number of faculty & staff, occupancy of usable space, research applications, etc.

A division's revenue-based budget allocation includes a share of 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, which is currently set at 14% of the University's general operating revenues (excluding recoveries from restricted funds). Allocations from the University Fund are entirely non-formulaic and based on institutional and divisional academic priorities. This allows the University to recognize differences in the cost of delivering various programs, and support initiatives where revenues and costs are not aligned. It ensures that the total budget of a division is determined by the University's own priorities rather than by those of external entities.

Appendix B:
Budget 2025-26 Financial Schedules

Schedule 1: Projection of Operating Revenues and Expenses ($ millions) **2025-26 to 2029-30**

Projection of Operating Revenues	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Student Fees	2,363.9	2,395.3	2,502.5	2,627.7	2,745.8	2,850.1
Prov. Gov't Grants for General Operations	685.2	712.1	731.6	735.9	738.3	738.4
Subtotal: Grants and Student Fees	**3,049.2**	**3,107.4**	**3,234.1**	**3,363.6**	**3,484.0**	**3,588.5**
Investment Income: Endowments	89.5	103.9	106.6	108.3	109.8	111.4
Investment Income: Other	114.4	130.5	140.2	143.8	145.7	156.4
Sales, Services & Sundry Income	164.1	167.2	169.8	172.6	175.7	178.8
Subtotal: Operating Revenue	**3,417.2**	**3,509.0**	**3,650.7**	**3,788.3**	**3,915.2**	**4,035.1**
Recovery from Canada Research Chair Grants	47.1	47.1	47.1	47.1	47.1	47.1
Recovery of Institutional Costs of Research	57.4	63.8	62.2	65.5	69.2	69.6
Total: Operating Revenues and Recoveries	**3,521.7**	**3,619.9**	**3,760.0**	**3,900.9**	**4,031.6**	**4,151.8**

Projection of Operating Expenses	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Shared Service and Campus Costs	778.7	826.3	862.3	894.1	924.3	950.6
Pension Contingency Funding	75.4	65.4	50.0	50.0	50.0	50.0
Strategic Priorities Fund	17.5	25.0	32.7	32.7	32.7	32.7
U-W costs offset by shared services income	159.5	162.9	166.0	169.2	172.4	175.7
Sub-total, University-wide Costs	**1,031.1**	**1,079.6**	**1,110.9**	**1,145.9**	**1,179.4**	**1,209.0**
Academic Expense Budgets (Excl Fin. Aid)	2,060.8	2,096.2	2,182.8	2,279.0	2,368.0	2,451.1
Student Financial Support	380.2	405.3	418.0	428.0	437.6	446.1
University Fund (unallocated portion)	19.5	8.7	18.5	17.9	16.5	15.4
Flow-through to Other Institutions	30.1	30.2	29.9	30.0	30.1	30.3
Total: Operating Expenses	**3,521.7**	**3,619.9**	**3,760.0**	**3,900.9**	**4,031.6**	**4,151.8**

Schedule 2: Details of Operating Grants and Student Fees ($ millions) — 2025-26 to 2029-30

Prov. Gov't. Grants for General Operations	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Enrolment Based Funding	235.7	235.7	235.7	235.7	235.7	235.7
Differentiation Envelope	422.4	422.4	422.4	422.4	422.4	422.4
PSE Financial Sustainability Fund	15.4	33.9	48.0	48.0	48.0	48.0
Enrolment Expansion Funding	6.5	13.8	19.5	24.2	27.0	27.4
Clinical Education	4.6	4.8	4.8	4.8	4.8	4.8
Ontario Graduate Scholarships	10.3	10.3	10.3	10.3	10.3	10.3
Ontario Trillium Scholarships	-	-	-	-	-	-
Municipal Tax Grant	5.0	5.2	5.3	5.3	5.3	5.3
International Student Recovery	(18.3)	(17.8)	(18.2)	(18.6)	(19.0)	(19.2)
Accessibility for Students with Disabilities	3.7	3.8	3.8	3.8	3.8	3.8
Total, Gov't Grants for General Operations	**685.2**	**712.1**	**731.6**	**735.9**	**738.3**	**738.4**

Student Fees	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
For-Credit Tuition Fees	2,100.9	2,125.3	2,227.0	2,346.5	2,458.8	2,557.3
Continuing / Exec.Ed Tuition & Ancillary Fees	263.0	270.0	275.6	281.2	287.0	292.8
Total, Student Fees	**2,363.9**	**2,395.3**	**2,502.5**	**2,627.7**	**2,745.8**	**2,850.1**

Schedule 3: Details of University Wide Costs & Student Fin. Support ($ millions) 2025-26 to 2029-30

University-Wide Costs	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Occupancy	245.2	259.9	271.8	287.4	304.3	315.8
Information Technology	63.4	67.7	70.8	73.4	74.7	76.1
University Management	47.8	52.8	55.9	57.7	59.1	60.3
Financial Management	16.3	16.4	16.9	17.4	17.8	18.2
Human Resources	28.7	29.9	32.3	32.2	32.7	33.4
University Advancement	40.6	39.6	43.9	45.8	46.7	48.2
Central Library	130.5	133.5	137.6	142.0	146.2	150.1
Research Administration	41.7	40.6	41.7	42.8	43.8	44.9
Registrarial & Student Services	73.2	74.3	77.2	80.0	82.7	85.3
University-wide Academic	32.0	32.2	32.2	32.2	32.2	32.2
University-wide General	40.6	48.6	50.2	50.4	50.2	51.2
Federated Block Grant	18.6	30.9	31.9	32.9	33.9	34.9
Sub-total	**778.7**	**826.3**	**862.3**	**894.1**	**924.3**	**950.6**
Pension Risk Contingency	75.4	65.4	50.0	50.0	50.0	50.0
Strategic Priorities Fund	17.5	25.0	32.7	32.7	32.7	32.7
U-W costs offset by shared services income	159.5	162.9	166.0	169.2	172.4	175.7
Total University Wide Costs	**1,031.1**	**1,079.6**	**1,110.9**	**1,145.9**	**1,179.4**	**1,209.0**

Student Financial Support	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
UofT Adv. Planning for Students (UTAPS)	39.7	40.9	42.1	43.3	44.5	45.8
Other Need-based Support (incl. Empl. Progs)	11.5	12.0	12.3	12.6	12.6	12.6
Scholarships	19.1	19.4	20.0	20.6	21.2	22.0
Student Fin. Support from Endowments	37.3	39.9	39.7	40.6	41.5	42.3
International Scholars	76.3	77.1	81.6	85.8	90.8	94.6
Subtotal, Undergraduate	**183.9**	**189.3**	**195.7**	**202.9**	**210.6**	**217.5**
Provincial Scholarship Grants	10.4	10.4	10.4	10.4	10.4	10.4
Student Fin. Support from Endowments	28.4	30.4	33.3	34.0	34.7	35.5
Student Fin. Support Matching Funds	1.0	1.0	1.1	1.1	1.1	1.1
SGS Graduate Fellowships	2.0	2.0	2.0	2.0	2.0	2.0
Doctoral Completion Awards	4.2	4.2	4.2	4.2	4.2	4.2
Subtotal, Graduate	**46.1**	**48.1**	**51.0**	**51.7**	**52.4**	**53.2**
Subtotal, Institutional Programs	**230.0**	**237.4**	**246.7**	**254.6**	**263.1**	**270.6**
Student Fin. Support in Academic Divisions	150.2	167.9	171.3	173.4	174.5	175.4
Total, Student Financial Support	**380.2**	**405.3**	**418.0**	**428.0**	**437.6**	**446.1**

Schedule 4: Revenue and Expense Allocations by Division ($ millions) **2025-26**

	Attributed Operating Revenue	University Fund Allocation	Share of University Wide Expense	Financial Aid Set-Aside	Academic Net Expense Budget
	A	B	C	D	E=A+B-C-D
Arts & Science	916,967,791	103,119,575	277,708,392	86,094,179	656,284,795
UofT Scarborough	386,125,741	29,298,052	52,650,611	31,732,468	331,040,714
UofT Mississauga	372,900,841	31,479,585	55,865,542	30,662,737	317,852,147
Dentistry	33,139,770	17,936,693	14,776,886	967,277	35,332,299
Temerty Medicine	236,221,965	44,916,498	101,711,160	20,441,357	158,985,946
Dalla Lana Public Health	36,087,964	14,489,939	15,126,600	1,515,017	33,936,286
Bloomberg Nursing	22,847,273	4,893,976	6,930,109	2,102,348	18,708,793
Leslie Dan Pharmacy	32,952,021	4,762,933	12,077,779	1,642,741	23,994,433
Kinesiology & Physical Education	22,947,098	5,455,667	8,265,247	1,928,604	18,208,914
Applied Science & Engineering	258,152,614	33,385,109	96,982,598	25,730,127	168,824,999
Daniels Architecture, Landscape & Design	35,618,731	12,230,772	12,478,455	2,904,767	32,466,281
OISE	86,711,330	22,073,821	28,534,752	2,991,866	77,258,533
Law	37,043,411	9,325,710	10,146,024	3,436,711	32,786,386
Information	31,661,248	4,645,296	8,018,779	783,168	27,504,596
Music	20,610,941	12,978,506	8,531,535	3,102,666	21,955,246
Factor-Inwentash Social Work	15,969,818	3,890,964	5,501,737	1,401,417	12,957,628
Rotman Management	125,051,810	13,741,921	31,261,439	7,681,199	99,851,093
Transitional Year Programme	794,074	2,269,974	456,606	545,816	2,061,626
School of Continuing Studies	(2,738,120)	2,887,498	2,584,753	17,840	(2,453,215)
Subtotal	**2,669,066,320**	**373,782,489**	**749,609,004**	**225,682,304**	**2,067,557,501**
Divisional Income	445,617,324	-	159,655,558	-	285,961,766
Campus Costs and Divisional Aid	-	-	167,088,338	167,919,090	(335,007,428)
Recovery from Restricted Funds	45,967,530	-	3,200,000	11,683,530	31,084,001
Uncommitted Revenues	11,122,811	-	-	-	11,122,811
University Fund	417,974,994	(373,782,489)	-	-	44,192,505
Subtotal (excl flow-through)	**3,589,748,979**	**-**	**1,079,552,900**	**405,284,924**	**2,104,911,155**
Flow-through to Other Institutions	30,199,015	-	-	-	30,199,015
Total	**3,619,947,994**	**-**	**1,079,552,900**	**405,284,924**	**2,135,110,170**

Schedule 5: Projected Divisional Net Revenue Allocations ($ millions) 2025-26 to 2029-30

Arts & Science	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	882,560,006	916,967,791	942,431,291	968,741,779	993,104,941	1,023,946,205
University Fund Allocation[2]	97,151,226	103,119,575	103,119,575	103,119,575	103,119,575	103,119,575
University-Wide Costs	(256,915,513)	(277,708,392)	(287,469,134)	(297,818,068)	(307,549,189)	(317,100,437)
Student Financial Support	(83,546,556)	(86,094,179)	(88,470,469)	(90,637,596)	(92,523,358)	(95,144,415)
Net Expense Budget	**639,249,163**	**656,284,795**	**669,611,263**	**683,405,690**	**696,151,969**	**714,820,928**

UTSC	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	372,224,133	386,125,741	418,364,173	448,289,448	482,270,739	502,125,960
University Fund Allocation[2]	28,228,032	29,298,052	29,298,052	29,298,052	29,298,052	29,298,052
University-Wide Costs	(50,526,604)	(52,650,611)	(54,955,125)	(57,293,113)	(59,026,514)	(61,217,480)
Student Financial Support	(31,089,186)	(31,732,468)	(34,228,055)	(36,546,066)	(39,408,232)	(41,037,767)
Net Expense Budget	**318,836,374**	**331,040,714**	**358,479,045**	**383,748,322**	**413,134,045**	**429,168,764**

UTM	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	377,203,688	372,900,841	394,633,529	415,292,008	438,967,708	455,485,097
University Fund Allocation[2]	31,158,123	31,479,585	31,479,585	31,479,585	31,479,585	31,479,585
University-Wide Costs	(54,043,654)	(55,865,542)	(56,440,359)	(57,850,258)	(58,643,004)	(60,014,755)
Student Financial Support	(31,203,542)	(30,662,737)	(32,309,336)	(33,803,794)	(35,499,443)	(36,759,425)
Net Expense Budget	**323,114,614**	**317,852,147**	**337,363,419**	**355,117,541**	**376,304,846**	**390,190,502**

Dentistry	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	32,265,369	33,139,770	33,480,521	34,212,241	34,871,719	35,649,423
University Fund Allocation[2]	17,808,382	17,936,693	17,936,693	17,936,693	17,936,693	17,936,693
University-Wide Costs	(14,425,800)	(14,776,886)	(15,084,898)	(15,643,968)	(16,245,813)	(16,616,557)
Student Financial Support	(927,209)	(967,277)	(998,284)	(1,018,355)	(1,037,246)	(1,058,353)
Net Expense Budget	**34,720,743**	**35,332,299**	**35,334,031**	**35,486,611**	**35,525,353**	**35,911,206**

Temerty Medicine	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	227,593,317	236,221,965	244,531,559	250,408,538	255,169,398	259,023,901
University Fund Allocation[2]	42,759,248	44,916,498	44,916,498	44,916,498	44,916,498	44,916,498
University-Wide Costs	(100,046,747)	(101,711,160)	(105,290,641)	(109,263,758)	(113,465,869)	(116,073,936)
Student Financial Support	(19,310,861)	(20,441,357)	(21,033,563)	(21,376,424)	(21,716,989)	(22,064,607)
Net Expense Budget	**150,994,957**	**158,985,946**	**163,123,852**	**164,684,854**	**164,903,038**	**165,801,855**

[1] Revenue includes 86% of attributable general operating revenues but excludes divisional income and recoveries from restricted funds.
[2] Includes allocations up to and including 2025-26. Flatlined for outer years.

Dalla Lana Public Health	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	34,107,217	36,087,964	37,028,215	37,992,040	38,956,957	39,729,065
University Fund Allocation[2]	12,906,776	14,489,939	14,489,939	14,489,939	14,489,939	14,489,939
University-Wide Costs	(14,781,248)	(15,126,600)	(15,784,475)	(16,243,991)	(16,670,083)	(17,070,081)
Student Financial Support	(1,494,057)	(1,515,017)	(1,550,839)	(1,569,208)	(1,588,691)	(1,586,681)
Net Expense Budget	**30,738,688**	**33,936,286**	**34,182,841**	**34,668,780**	**35,188,122**	**35,562,242**

Bloomberg Nursing	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	21,185,009	22,847,273	22,679,299	22,972,773	23,372,857	23,769,728
University Fund Allocation[2]	4,747,984	4,893,976	4,893,976	4,893,976	4,893,976	4,893,976
University-Wide Costs	(6,604,556)	(6,930,109)	(7,185,012)	(7,344,301)	(7,592,923)	(7,762,180)
Student Financial Support	(2,009,376)	(2,102,348)	(2,159,279)	(2,208,037)	(2,255,256)	(2,300,696)
Net Expense Budget	**17,319,060**	**18,708,793**	**18,228,984**	**18,314,411**	**18,418,654**	**18,600,827**

Leslie Dan Pharmacy	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	31,778,126	32,952,021	36,312,439	39,583,297	37,415,312	38,207,819
University Fund Allocation[2]	4,679,891	4,762,933	4,762,933	4,762,933	4,762,933	4,762,933
University-Wide Costs	(11,973,791)	(12,077,779)	(12,661,395)	(13,461,063)	(13,954,288)	(13,585,108)
Student Financial Support	(1,566,251)	(1,642,741)	(1,695,777)	(1,729,298)	(1,761,047)	(1,790,781)
Net Expense Budget	**22,917,975**	**23,994,433**	**26,718,200**	**29,155,868**	**26,462,910**	**27,594,863**

Kinesiology & Physical Education	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	21,127,610	22,947,098	24,843,083	25,816,845	26,967,959	28,021,514
University Fund Allocation[2]	5,193,790	5,455,667	5,455,667	5,455,667	5,455,667	5,455,667
University-Wide Costs	(7,807,662)	(8,265,247)	(8,976,664)	(9,356,838)	(9,626,557)	(9,792,139)
Student Financial Support	(1,775,774)	(1,928,604)	(1,976,835)	(1,976,524)	(1,955,970)	(1,998,570)
Net Expense Budget	**16,737,963**	**18,208,914**	**19,345,251**	**19,939,150**	**20,841,099**	**21,686,471**

Applied Science & Engineering	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	250,873,380	258,152,614	262,914,492	269,912,047	278,651,627	286,929,906
University Fund Allocation[2]	31,837,746	33,385,109	33,385,109	33,385,109	33,385,109	33,385,109
University-Wide Costs	(94,139,794)	(96,982,598)	(99,313,156)	(102,831,944)	(106,477,778)	(109,220,197)
Student Financial Support	(25,212,771)	(25,730,127)	(26,505,457)	(27,101,209)	(27,847,035)	(28,568,592)
Net Expense Budget	**163,358,561**	**168,824,999**	**170,480,988**	**173,364,003**	**177,711,924**	**182,526,227**

Daniels Architecture, Landscape & Design	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	33,747,366	35,618,731	37,773,947	40,206,939	41,257,531	42,543,837
University Fund Allocation[2]	12,184,308	12,230,772	12,230,772	12,230,772	12,230,772	12,230,772
University-Wide Costs	(12,113,927)	(12,478,455)	(12,921,810)	(13,515,160)	(14,115,381)	(14,433,282)
Student Financial Support	(2,753,991)	(2,904,767)	(2,978,005)	(3,056,612)	(3,091,295)	(3,159,941)
Net Expense Budget	**31,063,756**	**32,466,281**	**34,104,905**	**35,865,939**	**36,281,628**	**37,181,387**

OISE	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	87,174,774	86,711,330	93,653,590	98,159,761	104,318,434	109,796,813
University Fund Allocation[2]	19,780,937	22,073,821	22,073,821	22,073,821	22,073,821	22,073,821
University-Wide Costs	(28,850,542)	(28,534,752)	(29,678,409)	(31,409,708)	(32,997,911)	(34,334,417)
Student Financial Support	(2,909,454)	(2,991,866)	(3,073,565)	(3,171,862)	(3,236,316)	(3,314,623)
Net Expense Budget	**75,195,716**	**77,258,533**	**82,975,437**	**85,652,012**	**90,158,029**	**94,221,594**

Law	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	34,305,542	37,043,411	37,603,060	38,052,836	39,309,844	40,502,745
University Fund Allocation[2]	8,485,451	9,325,710	9,325,710	9,325,710	9,325,710	9,325,710
University-Wide Costs	(9,673,953)	(10,146,024)	(10,345,192)	(10,654,853)	(10,907,018)	(11,181,603)
Student Financial Support	(3,077,025)	(3,436,711)	(3,566,512)	(3,644,396)	(3,720,160)	(3,799,145)
Net Expense Budget	**30,040,015**	**32,786,386**	**33,017,066**	**33,079,297**	**34,008,376**	**34,847,707**

Information	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	26,697,090	31,661,248	29,416,303	30,396,493	31,764,588	33,067,525
University Fund Allocation[2]	4,315,914	4,645,296	4,645,296	4,645,296	4,645,296	4,645,296
University-Wide Costs	(7,097,826)	(8,018,779)	(8,381,500)	(8,231,948)	(8,523,093)	(8,831,287)
Student Financial Support	(759,020)	(783,168)	(836,321)	(888,365)	(949,915)	(987,841)
Net Expense Budget	**23,156,158**	**27,504,596**	**24,843,777**	**25,921,475**	**26,936,875**	**27,893,692**

Music	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	19,975,392	20,610,941	21,351,261	22,320,541	22,846,847	23,437,203
University Fund Allocation[2]	12,483,347	12,978,506	12,978,506	12,978,506	12,978,506	12,978,506
University-Wide Costs	(8,379,152)	(8,531,535)	(8,830,817)	(9,197,815)	(9,610,451)	(9,850,961)
Student Financial Support	(2,909,797)	(3,102,666)	(3,195,663)	(3,277,295)	(3,339,907)	(3,407,660)
Net Expense Budget	**21,169,791**	**21,955,246**	**22,303,287**	**22,823,937**	**22,874,995**	**23,157,087**

Factor-Inwentash Social Work	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	15,271,386	15,969,818	16,288,629	16,622,712	16,974,421	17,350,917
University Fund Allocation[2]	3,579,397	3,890,964	3,890,964	3,890,964	3,890,964	3,890,964
University-Wide Costs	(5,372,356)	(5,501,737)	(5,690,289)	(5,874,997)	(6,036,495)	(6,154,847)
Student Financial Support	(1,307,659)	(1,401,417)	(1,449,275)	(1,473,829)	(1,497,620)	(1,524,839)
Net Expense Budget	**12,170,769**	**12,957,628**	**13,040,029**	**13,164,850**	**13,331,271**	**13,562,195**

Rotman Management	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	125,839,892	125,051,810	133,439,105	142,115,668	140,470,268	142,032,833
University Fund Allocation[2]	13,724,678	13,741,921	13,741,921	13,741,921	13,741,921	13,741,921
University-Wide Costs	(31,021,439)	(31,261,439)	(32,522,114)	(33,852,289)	(35,035,717)	(35,902,617)
Student Financial Support	(7,549,139)	(7,681,199)	(7,934,872)	(8,150,661)	(8,355,165)	(8,564,374)
Net Expense Budget	**100,993,992**	**99,851,093**	**106,724,040**	**113,854,639**	**110,821,307**	**111,307,763**

Transitional Year Programme	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	743,615	794,074	818,853	838,672	857,663	908,990
University Fund Allocation[2]	2,094,382	2,269,974	2,269,974	2,269,974	2,269,974	2,269,974
University-Wide Costs	(472,971)	(456,606)	(471,276)	(484,625)	(498,030)	(508,677)
Student Financial Support	(521,479)	(545,816)	(565,858)	(578,395)	(590,869)	(607,307)
Net Expense Budget	**1,843,547**	**2,061,626**	**2,051,693**	**2,045,626**	**2,038,738**	**2,062,980**

School of Continuing Studies	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30
Attributed Revenue[1]	(3,258,327)	(2,738,120)	(2,799,330)	(2,875,420)	(2,961,355)	(2,998,748)
University Fund Allocation[2]	2,889,262	2,887,498	2,887,498	2,887,498	2,887,498	2,887,498
University-Wide Costs	(2,747,733)	(2,584,753)	(2,533,741)	(2,618,592)	(2,711,332)	(2,767,127)
Student Financial Support	(17,130)	(17,840)	(18,533)	(18,949)	(19,347)	(19,766)
Net Expense Budget	**(3,133,928)**	**(2,453,215)**	**(2,464,106)**	**(2,625,463)**	**(2,804,537)**	**(2,898,143)**

Schedule 6: Planned Statement of Operations ($ millions) — 2025-26

Projection of Revenues	Operating Budget	GAAP Adjustments	Operating Fund	Ancillary Operations	Capital	Restricted Funds	Anc., Capital & Restricted Funds	Forecasted Statement of Operations
Student Fees	2,395.3	-	2,395.3	18.5	0.5	-	19.0	2,414.3
Gov't Grants for General Operations	770.8	-	770.8	-	-	-	-	770.8
Gov't and Other Grants for Restricted Purposes	72.2	-	72.2	-	60.8	497.0	557.8	630.0
Sales, Services & Sundry Income	147.2	-	147.2	287.5	0.5	-	288.0	435.2
Investment Income: Endowments	103.9	-	103.9		-	107.4	107.4	211.3
Investment Income: Other (note 1)	130.5	(56.6)	73.9	3.8	19.5	22.2	45.5	119.4
Donations	-	-	-	0.6	24.7	139.3	164.6	164.6
Total Revenues	**3,619.9**	**(56.6)**	**3,563.3**	**310.4**	**106.0**	**765.9**	**1,182.3**	**4,745.6**

Projection of Expenses	Operating Budget	GAAP Adjustments	Operating Fund	Ancillary Operations	Capital	Restricted Funds	Anc., Capital & Restricted Funds	Forecasted Statement of Operations
Salaries & Employee Benefits	2,304.2	-	2,304.2	17.5	-	333.1	350.6	2,654.8
Other Expenses (note 2)	654.1	(63.8)	590.3	51.0	2.5	234.1	287.6	877.9
Scholarships, Fellowships & Bursaries	405.3	-	405.3	-	-	34.5	34.5	439.8
Amortization of Capital Assets	-	-	-	27.5	214.6	-	242.1	242.1
Cost of Ancillary Sales and Services	-	-	-	181.7	-	-	181.7	181.7
Inter-institutional Contributions	30.2	-	30.2	-	-	101.3	101.3	131.5
Long-term debt service (note 3)	46.7	(12.9)	33.8	5.9	-	-	5.9	39.7
Total Expenses	**3,440.5**	**(76.7)**	**3,363.8**	**283.6**	**217.1**	**703.0**	**1,203.7**	**4,567.5**
Net Income before transfers	**179.4**	**20.1**	**199.5**	**26.8**	**(111.1)**	**62.9**	**(21.4)**	**178.1**
Allocations for Future Major Capital Projects	40.0	(40.0)	-					-
Capital Spending from Current Year Budget	59.0	(59.0)	-					-
Other Contributions to Reserves	15.0	(15.0)	-					-
Pension Deficit Risk Contingency	65.4	(65.4)	-					-
Net Income	**-**	**199.5**	**199.5**					**178.1**

Note 1: GAAP Adjustment includes eliminating income on internal loans and other accounting-related adjustments related to Investment Income.
Note 2: Other expenses include materials, supplies, services, repairs, maintenance, leases, utilities, travel, and other general expenses. GAAP adjustment relates to capitalization of spending from the operating budget on items such as furniture, equipment, etc.
Note 3: GAAP Adjustment eliminates debt service on internal EFIP loans leaving only the interest on external debt.