

**Capital Funding to Support the Graduate Education Expansion  
From the Ministry of Training Colleges and Universities**

**Government Program**

The Ministry of Training Colleges and Universities announced on June 15, 2006 its plan to provide capital funding to support the expansion of graduate education. The plan includes the provision of an annual stream of grants for 20 years, commencing in 2007-08, based on the institution's actual graduate enrolment growth. The value of the grant transferred to Ontario universities will be determined annually, based on the graduate FTE growth over the 2002-03 enrolment baseline as reported through the University Statistical Enrolment Report (USER).

On an annual basis, the University of Toronto is eligible to receive a capital grant of \$3,470, for each new eligible graduate FTE over its 2002-03 enrolment base of 7,505 FTEs, to a maximum growth target of 2,527 FTEs or \$8,768,690. For 2007-08, the value of the capital grant was \$1,457,400, representing the 420 FTEs increase from 2002-03 to 2004-05. In the following years, the Ministry plans to decrease the time lag in funding from three years to two years, therefore, the 2008-09 funding will be based on 2006-07 USER data.

The University of Toronto received a notional allocation of capital of \$38,250 per FTE or \$96,650,850 million (target increase of 2,527 FTEs times \$38,250 plus rounding). The \$3,470 annual payment for each new graduate FTE enrolment is calculated on the basis on a notional capital value of \$38,250 amortized over 20 years using a 6.5% interest rate.

**Administration**

Given that capital projects require funding upfront to pay for construction costs and yet, the Government funding will come in annual streams similar to mortgage payments, the University has decided to manage this program by issuing internal loans under the University's internal borrowing programme. The funding provided by the internal loans will be allocated to capital and renovation projects that are essential to graduate expansion and the government annual grants will be used to pay the loan principal and interest on the loans.

Although the Government approved a target maximum increase of 2,527 FTEs, the total graduate expansion at the University of Toronto according to divisional plans is only 2,034 which is equivalent to a notional capital of \$77.8 million and an annual payment of \$7.1 million. The Provost will therefore plan for \$78 million, of which \$10 million will be kept as a reserve in case enrolment growth is lower than planned. The Provost will recommend the allocation of the \$68 million notional capital to graduate capital and renovation projects over the next several years.

Capital projects over \$2 million funded fully or partially by the allocation of graduate expansion will continue to be reviewed and approved by the Business Board based on its own merits. Projects below \$2 million funded by the allocation for graduate expansion will also continue to be approved by AFD. Please note that some of the projects have already received Business Board approval, and the graduate expansion allocation will be used to either replace divisional contribution or as a replacement of borrowing.

The Provost will monitor the government funding received annually against the internal loan payment obligation and against the notional capital of \$78 million, and may recommend in the future, allocations above the \$68 million up to \$78 million.

### **Effect on Borrowing Capacity**

Of the \$78 million planning amount, \$25 million has been allocated to previously approved projects:

\$13 million for UTM Medical Academy Building  
\$7 million for Rotman Expansion  
\$5 million for UTSC Science Building)

The remaining \$53 million will be used to finance future renovation and capital projects and will be reflected as increases in borrowing allocated in the following years:

\$16.0 million to be allocated in 2007-08,  
\$31.4 million to be allocated in 2008-09,  
\$ 5.6 million to be allocated in 2009-10.  
\$53.0 million

### **Recommendation**

Be it Resolved

THAT the Vice-President, Business Affairs be authorized to arrange borrowing from either internal or external sources to be used for the allocation of graduate expansion capital and renovation projects in the following years:

\$16.0 million to be allocated in 2007-08,  
\$31.4 million to be allocated in 2008-09,  
\$ 5.6 million to be allocated in 2009-10.  
\$53.0 million