



FOR RECOMMENDATION

PUBLIC

OPEN SESSION

TO: Business Board

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

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

DATE: March 6, 2024 for March 13, 2024

AGENDA ITEM: 4

ITEM IDENTIFICATION:

Budget Report 2024-25 and Long-Range Budget Guidelines 2024-25 to 2028-29.

JURISDICTIONAL INFORMATION:

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

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

GOVERNANCE PATH:

1. Planning and Budget Committee [for recommendation] (February 26, 2024)
2. UTM Campus Council [for information] (March 4, 2024)
3. UTSC Campus Council [for information] (March 5, 2024)
4. Academic Board [for recommendation] (March 7, 2024)
5. **Business Board [for concurrence with the recommendation of the Academic Board] (March 13, 2024)**
6. Executive Committee [for endorsement and forwarding] (March 26, 2024)
7. Governing Council [for approval] (April 4, 2024)

PREVIOUS ACTION TAKEN:

The Budget Report 2023-24 and Long-Range Budget Guidelines 2023-24 to 2027-28 were approved by the Governing Council at its March 30, 2023 meeting.

HIGHLIGHTS:

The University continues to be in strong financial shape, although we are facing some pressures related to the recent significant compensation increases and continued constraints – and some uncertainty – on our primary sources of operating revenues. The 2024-25 operating budget is balanced with \$3.52 billion in planned revenue – a 4.9% increase over 2023-24 – balanced against an equal \$3.52 billion in planned spending and provisions for future priorities. A significant portion of revenue growth is from strong returns on our short- and medium-term investments which are expected to be significantly higher than in recent years. Excluding this one-time increase, revenue growth is about 3% across all other sources of revenue.

In Fall 2023, the Government released the recommendations of their Blue-Ribbon Panel (BRP) which included increases to domestic fees, a 10% increase to operating grants, future enrolment growth funding, and special consideration for the University of Toronto on tuition. In response, on February 26, 2024, the Government announced nearly \$1.3 billion in new funding over three years for the postsecondary sector. This included an across-the-board increase in operating grant funding of about 7% over three years, targeted funding for institutions at high financial risk, temporary support for unfunded students, support for mental health initiatives, and additional funding for capital renewal. The University is waiting for more details on the individual allocations.

The Government also announced a three-year extension to the freeze on domestic Ontario resident tuition fees that has been in place since the 10% cut in 2019-20. We are anticipating that the increased operating grant funding will roughly offset the financial impact of the extension of the freeze over the three years. As a result, the 2024-25 Budget assumes continuation of the tuition freeze and a \$15 million increase to operating grants to offset the financial impact relative to the 3% increase that had been planned for next year. Tuition for non-Ontario residents in undergraduate programs will increase by 5%, consistent with the frameworks in place since 2021-22, and tuition for incoming students into our Master of Arts, Master of Science, and MSc in Applied Computing will increase by 7.5% as approved under the Government's sector-wide anomaly adjustment program for tuition that is significantly below comparable programs.

In January 2024, the Federal Government announced a two-year reduction in the number of available international student permits including a potential 50% decrease in permits for Ontario's postsecondary education sector. The focus of this policy change is not on the University of Toronto which has responsibly and gradually increased our international enrolment over many years, in-line with our strategic plans and accompanied by transparent recruitment and admissions processes and robust student supports. However, it remains unclear how the Province will operationalize this new policy and there is some risk to our intake plans for 2024-25. We are actively working with all levels of government to ensure that the allocation of permits recognizes institutions like U of T and addresses the problem where the challenges lie.

Operating revenues are derived primarily (87%) from tuition, other student fees, and provincial operating grants, all of which are tied to enrolment. Divisional enrolment plans will add about 2,500 domestic undergraduate spaces over the next five years including 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 1,200 international FTEs over the planning period. With these plans,

international enrolment will be maintained at about 31% of total undergraduates from a diverse set of countries across the world. Other sources of revenue include investment income, endowment income, Canada Research Chairs, funding for the indirect costs of research, and sales of services.

Total spending for student aid is projected at \$380 million for 2024-25 across undergraduate and graduate scholarship and bursary programs. About \$65 million of this will come from the endowment payout with the remainder set aside from operating funds.

The operating budget reflects the aspirations and service plans in academic and shared-service divisions. Academic divisional plans include hiring of tenure and teaching stream faculty, enhancement of student services, increased experiential learning, work-integrated learning, and research opportunities, development of new academic programs, provisions for capital projects, and additional financial support for students. Additional investments into shared services include funding for addressing deferred maintenance, information security programs, rollout of the new student advising system and an improved transfer credit system, development of new administrative systems to reduce processing times and effort, and funding to sustain our library services and collections.

Looking ahead, 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. Note that the long-range plan described in the Budget Report assumes 3% flexibility on domestic tuition as of 2025-26, which we now know will not be the case. However, as noted above, the increased operating grant funding is expected to offset the impact of the continued freeze so the overall revenue plan is not materially impacted.

Given the ongoing uncertainty around our main sources of operating revenues, the University must remain restrained in our allocation of resources, while ensuring we maintain standards of excellence in teaching, research, and the student experience. Expenditure allocations are proposed within these competing constraints and priorities. Decisions on the allocation of resources across the institution take into consideration a balance between the rates of expenditure increase in the administrative divisions vs. the academic divisions.

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 2024-25 be approved and

THAT the Long-Range Budget Guidelines 2024-25 to 2028-29 be approved in principle.

DOCUMENTATION PROVIDED:

- *Budget Report 2024-25 and Long-Range Budget Guidelines 2024-25 to 2028-29*