

Budget Update

Special Meeting of Senate

Matthew Evans, Provost & Vice-Principal (Academic)

January 17, 2024

How did Queen's get to this point?

- Falling revenue
 - Provincial government cut domestic tuition and then froze it at 2019-20 levels; cost to Queen's to date has been approximately \$240 million.
 - Falling international student enrolment; admissions have fallen since 2019 (e.g. 2019 – 668; 2022 – 414).
- Increasing costs
 - Salary increases; in total salaries comprise 67 per cent of expenditure.
 - Inflation (16 per cent increase since 2019).
- Overall expenditure has been allowed to rise during times of plenty and not reduced quickly enough when times became tougher.
- In 2022-23, excluding the funding for the Queen's Centre, operating costs exceeded revenues by \$20 million.

Addressing the budget deficit

- Queen's is resilient and will emerge from this difficult time in good shape, but we do need to act.
- Our goal is to be as transparent as possible. All communications and FAQs are available online: queensu.ca/provost/budget-and-enrolment-planning/operating-budget-deficit-updates.
- Priority is the academic mission; to deliver the highest standard in education through a robust research program and excellence in teaching.





Queen's budget model

- The current budget model is decentralized, designed to give faculties agency over their own spending. They generate their own income (tuition, government grants, research overhead), and they run their own budgets. It has been in place since 2013.
- The Provost runs the budget model, and through that decides the budget allocation to each faculty.
- Shared services are funded by charging faculties for their projected use of those services, capped at no more than a 2 per cent increase per year.
- The Provost ensures deans hold to their budgets.

Current situation: Overview

- 2023-24
 - December quarterly projections show revenues tracking the budget.
 - Losses linked to lower international enrolment and lower graduate revenue have been offset by other unbudgeted revenues.
 - Overall, after Q1 the deficit is projected to be lower than anticipated
 - Shared services: Projected deficit is now a small surplus.
 - Faculties/Schools: Projected deficits are now slightly higher than budgeted.

Current situation: Overview

- 2024-25
 - Structural deficit in faculties, but 80 per cent is due to the Faculty of Arts & Science.
 - Shared services show a small surplus.
- 2025-26
 - Early indications show that shared services are balanced with a small surplus, but faculties are unable to achieve structurally balanced budgets by 2025-26 – largely due to size of budget reductions required in the Faculty of Arts & Science.
 - The Deficit Mitigation Fund will be used to help alleviate budget pressures in faculties/schools.

2023-24 December quarterly projected update

	Amounts presented in millions		
	Approved budget	Projected actuals	Variance
Student Fees	422.0	412.6	(9.4)
Government Grants	214.8	216.0	1.2
Investment Income*	19.1	21.3	2.2
Other Revenue**	10.8	16.6	5.8
Total revenues	666.7	666.5	(0.2)
Expenditures			
Faculties & Schools Allocations	374.5	366.7	(7.8)
Shared Services Allocations	187.8	186.6	(1.2)
Utilities	20.9	19.1	(1.8)
Student Aid	30.3	30.3	-
Other Allocations***	19.7	19.7	-
Flow Through Allocations, net of recoveries	18.4	19.0	0.6
Overhead Cost Recoveries	(5.6)	(5.4)	0.2
To be Allocated	4.7	14.5	9.8
Indirect Costs of Research to External Entities	0.6	0.6	-
Transfer to Capital Budget	15.4	15.4	-
Total Allocations and Expenditures	666.7	666.5	(0.2)
Unit Spending greater than Budget Allocation	(62.8)	(48.0)	14.8
Net Budget Surplus (Deficit)	(62.8)	(48.0)	14.8
Contribution from Carryforward Balances	62.8	48.0	(14.8)
Net Surplus (Deficit)	-	-	-

*Pooled Investment Fund income projection is based on budget of \$5.2 million

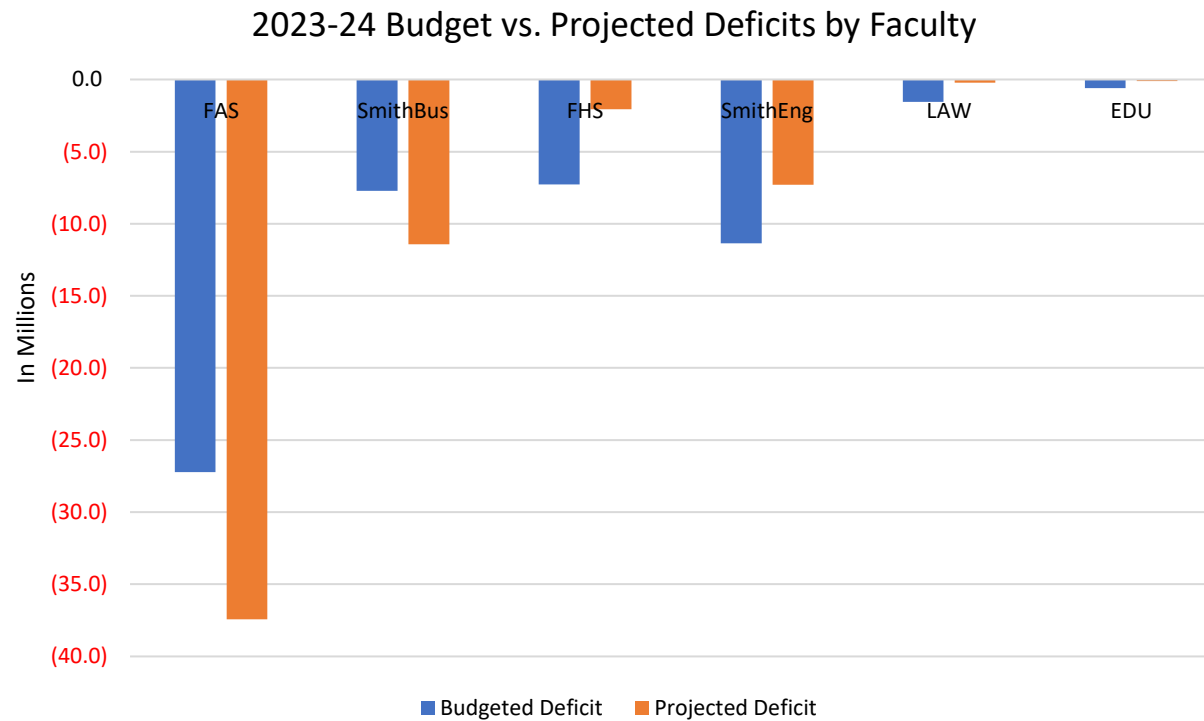
**Other revenue is comprised of unrestricted donations, other income, and research overhead.

***Other allocations is comprised of infrastructure renewal, strategic priority initiatives and contingency.

2023-24 Deficit / (Surplus) – breakdown

2023-24 Projected Deficit / (Surplus); Amounts presented in millions			
	Budget	Projected	(Better) / worse
Faculties and Schools	55.7	58.5	2.8
Shared Services	7.6	(1.1)	(8.7)
Central Reserves	(0.5)	(9.4)	(8.9)
Total	62.8	48.0	(14.8)

Shared services surplus is largely due to a \$4.5M unrestricted donation



2023-24 Total undergraduate enrolment – Intake

Faculty	Plan (2023-11-01)	Actual (2023-11-01)	Variance
Arts and Science	3,076	3,169	93
Smith Engineering	850	861	11
Smith School of Business	500	482	-18
Health Sciences	353	400	47
Kingston Campus total	4,779	4,912	133
Bader College	155	166	11
Total	4,934	5,078	144

Targets for all student groups originate from faculties

2023-24 Undergraduate International Enrolment – Intake

Faculty	Plan (2023-11-01)	Actual (2023-11-01)	Variance
Arts and Science	271	192	-79
Smith Engineering	100	39	-61
Smith School of Business	50	62	12
Health Sciences	47	23	-24
Kingston Campus total	468	316 (+5 at Bader)	-152

Lower international enrolment than target is principal reason for financial shortfalls
Targets for all student groups originate from faculties

2023-24 Undergraduate international enrolment – Total FTE

Faculty	Total Plan (2023-11-01)	Total Actual (2023-11-01)	Variance	Projected Revenue Increase (Loss) 2023-24 (millions)
Arts and Science	1,152	976	-176	-\$9.6M
Smith Engineering	215	161	-54	-\$3.2M
Smith School of Business	229	254	25	\$1.4M
Health Sciences	62	41	-21	-\$0.7M
Kingston Campus total	1,658	1,432	-226	-\$12.1M

Lower international enrolment than target is principal reason for financial shortfalls

Impact of undergraduate international enrolment on revenue

Faculty	First-Year Intake (Tuition fee/student)	Over Four Years (Tuition fee/student)
Arts & Science	\$55K	\$220K
Smith Engineering	\$59K	\$236K
Smith School of Business	\$58K	\$232K
Health Sciences	\$34K	\$136K

Preliminary 2024-25 to 2025-26 consolidated budgets

	FACULTIES/SCHOOLS		SHARED SERVICES		TOTAL	
	2024-25	2025-26	2024-25	2025-26	2024-25	2025-26
Carryforward, Beginning of Year	\$ 75.5	\$ 48.1	\$ 51.3	\$ 45.9	\$ 126.8	\$ 94.0
Surplus (Deficit)	\$ (27.4)	\$ (9.4)	\$ (5.4)	\$ (6.0)	\$ (32.8)	\$ (15.4)
Carryforward, End of Year	\$ 48.1	\$ 38.7	\$ 45.9	\$ 39.9	\$ 94.0	\$ 78.6
Surplus (Deficit)	\$ (27.4)	\$ (9.4)	\$ (5.4)	\$ (6.0)	\$ (32.8)	\$ (15.4)
One-time Add backs	\$ 9.7	\$ 2.9	\$ 8.9	\$ 6.9	\$ 18.6	\$ 9.8
Structural Surplus (Deficit)	\$ (17.7)	\$ (6.5)	\$ 3.5	\$ 0.9	\$ (14.2)	\$ (5.6)

For 2024-25, 5% of Faculty/School allocation is \$17.2M vs. Structural Deficit of \$17.7M
 For 2025-26, Faculties/Schools unable to achieve structural balance by 2025-26
 Shared Services structurally balanced for each of 2024-25 and 2025-26.

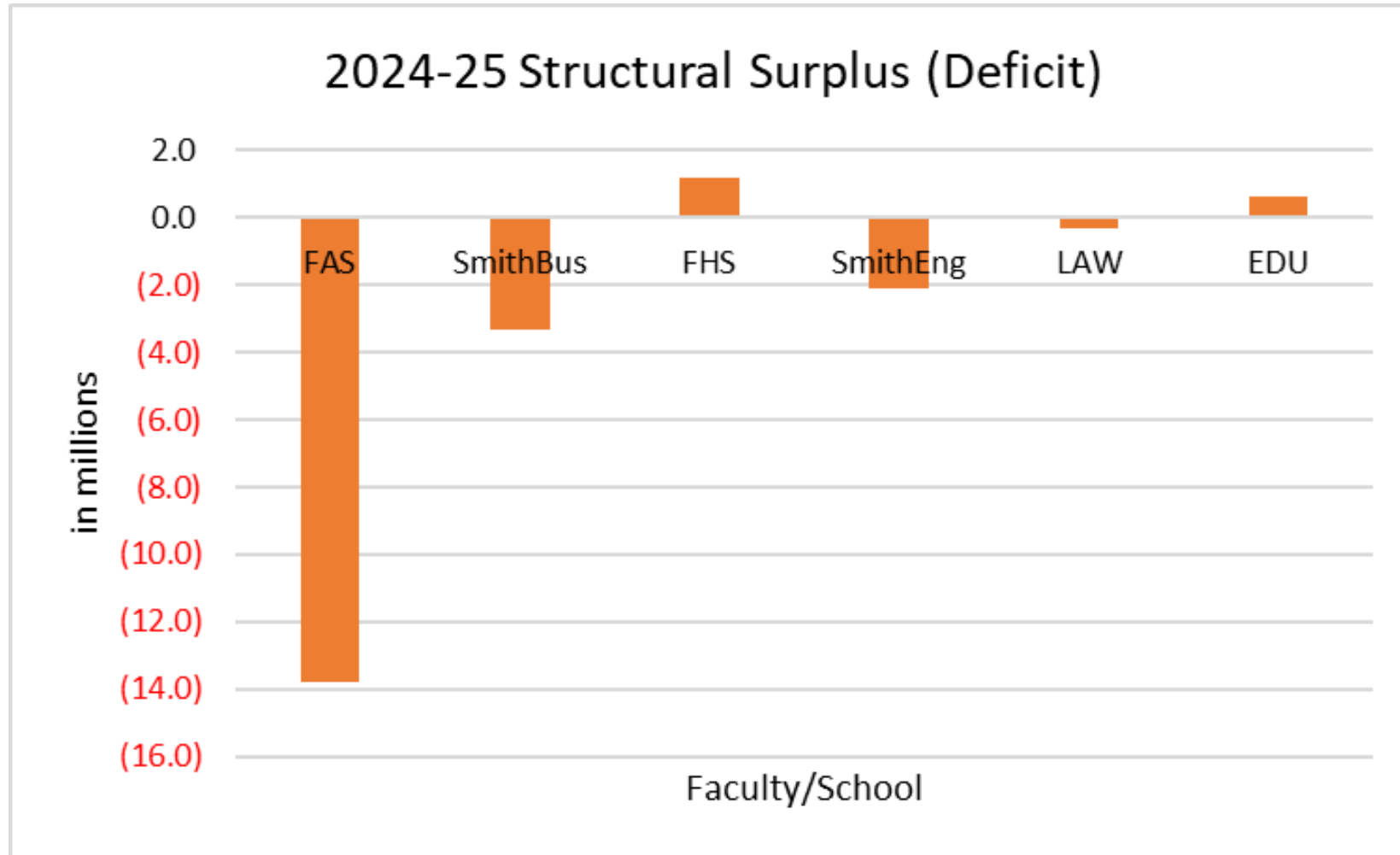
Faculty/School preliminary budget projections: 2024-25

In Millions								
	Units	FAS	SmithBus	FHS	SmithEng	LAW	EDU	Total
Revenue								
Allocations		127.4	87.6	55.3	45.2	16.0	11.8	343.3
Other Revenues *		5.4	1.6	27.8	(1.9)	2.5	14.9	50.3
Revenue Total		132.8	89.2	83.1	43.3	18.5	26.7	393.6
Expenses								
Salaries and Benefits		138.9	59.4	69.2	43.5	16.5	18.3	345.8
Other Expenses		12.3	35.6	13.8	3.4	2.3	7.8	75.2
Expenses Total		151.2	95.0	83.0	46.9	18.8	26.1	421.0
(Deficit)		(18.4)	(5.8)	0.1	(3.6)	(0.3)	0.6	(27.4)
Addback: One-time Only Expenditures		4.6	2.5	1.1	1.5	0.0	0.0	9.7
Structural Deficit		(13.8)	(3.3)	1.2	(2.1)	(0.3)	0.6	(17.7)
* Smith Engineering "Other Revenues" includes a contingency against revenue for assumed reductions in enrolment.								

	Budget 2024-25	Budget 2025-26
Amounts presented in millions		
Deficit Mitigation Fund	9.8	14.5

Derived from the 1.5% cut made to all units

Faculty/School 2024-25 structural surplus/deficit

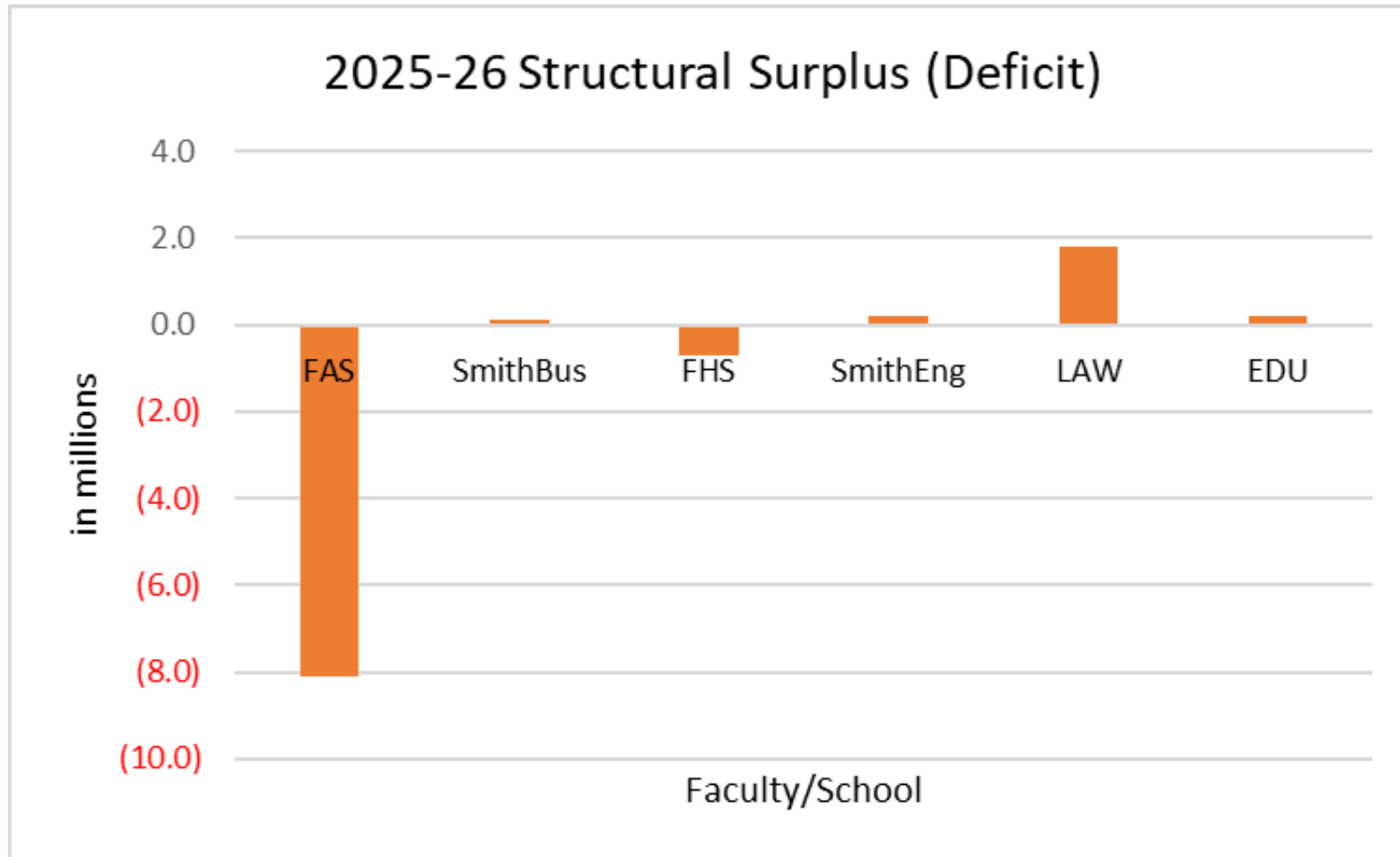


Faculty/School preliminary budget projections: 2025-26

In Millions								
	Units	FAS	SmithBus	FHS	SmithEng	LAW	EDU	Total
Revenue								
Allocations		128.7	89.1	54.6	46.7	17.8	11.8	348.7
Other Revenues		4.4	3.5	28.9	0.9	4.4	16.2	58.3
Revenue Total		133.1	92.6	83.5	47.6	22.2	28.0	407.0
Expenses								
Salaries and Benefits		134.4	60.4	71.2	45.1	18.0	19.4	348.5
Other Expenses		7.3	33.8	13.5	2.5	2.4	8.4	67.9
Expenses Total		141.7	94.2	84.7	47.6	20.4	27.8	416.4
(Deficit)		(8.6)	(1.6)	(1.2)	0.0	1.8	0.2	(9.4)
Addback: One-time Only Expenditures		0.5	1.7	0.5	0.2	0.0	0.0	2.9
Structural Deficit		(8.1)	0.1	(0.7)	0.2	1.8	0.2	(6.5)

	Budget 2024-25	Budget 2025-26
Amounts presented in millions		
Deficit Mitigation Fund	9.8	14.5

Faculty/School 2025-26 structural surplus/deficit

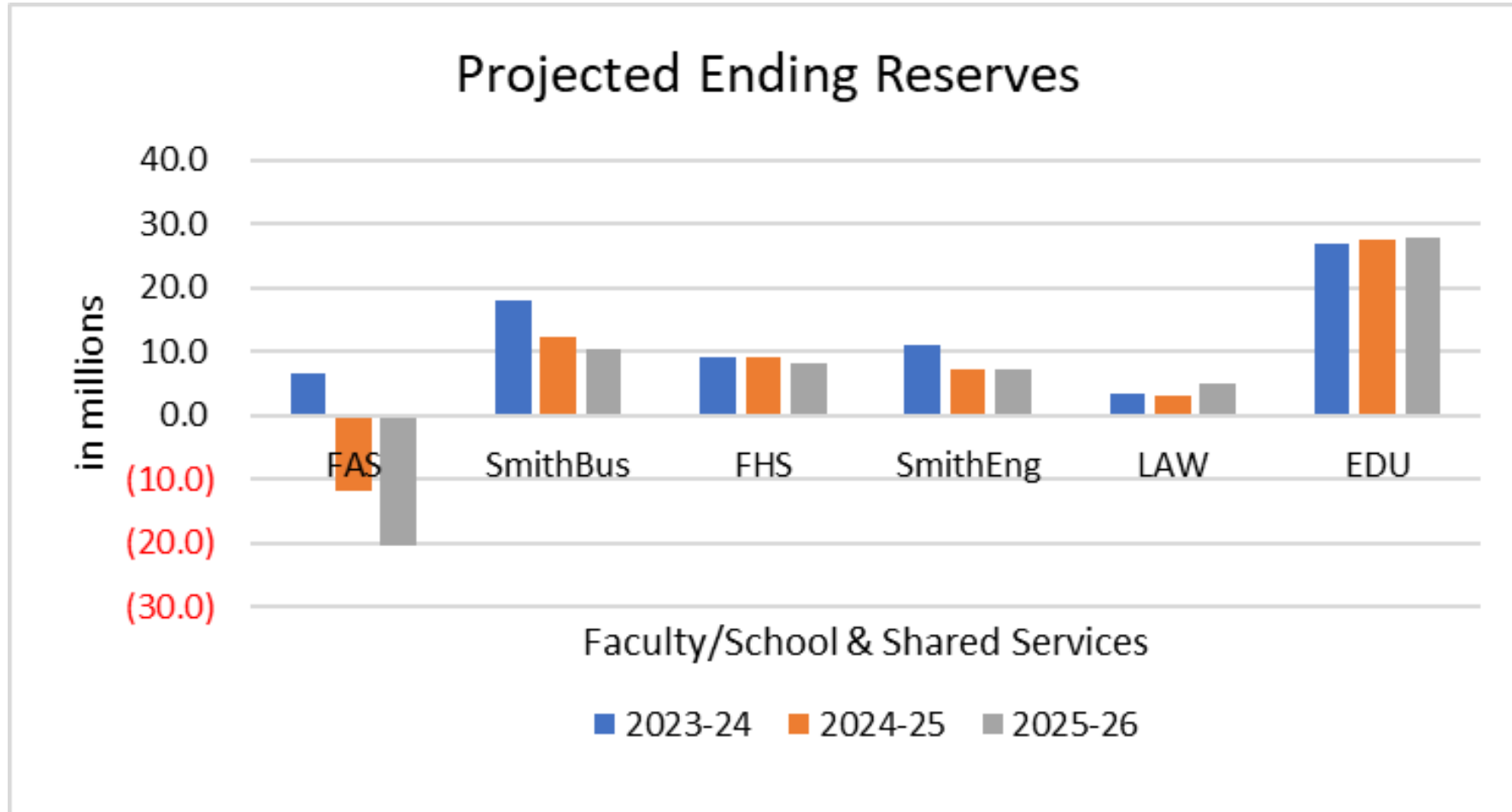


Carryforwards (reserves)

In Millions								
	Units	FAS	SmithBus	FHS	SmithEng	LAW	EDU	Total
2022-23 Ending Reserves *		44.0	29.4	11.3	18.3	3.8	27.2	134.0
2023-24 Projected Deficit		(37.4)	(11.4)	(2.1)	(7.3)	(0.2)	(0.1)	(58.5)
2023-24 Projected Ending Reserves		6.6	18.0	9.2	11.0	3.6	27.1	75.5
* The 2022-23 Projected Ending Reserves include the capital reserve for FAS (\$17M) and EDU (\$20M).								
In Millions								
	Units	FAS	SmithBus	FHS	SmithEng	LAW	EDU	Total
2023-24 Projected Ending Reserves		6.6	18.0	9.2	11.0	3.6	27.1	75.5
2024-25 Budgeted Deficit		(18.4)	(5.8)	0.1	(3.6)	(0.3)	0.6	(27.4)
2024-25 Projected Ending Reserves		(11.8)	12.2	9.3	7.4	3.3	27.7	48.1
	Units	FAS	SmithBus	FHS	SmithEng	LAW	EDU	Total
2024-25 Projected Ending Reserves		(11.8)	12.2	9.3	7.4	3.3	27.7	48.1
2025-26 Budgeted Deficit		(8.6)	(1.6)	(1.2)	0.0	1.8	0.2	(9.4)
2025-26 Projected Ending Reserves		(20.4)	10.6	8.1	7.4	5.1	27.9	38.7

Amounts presented in millions	Budget 2024-25	Budget 2025-26
Deficit Mitigation Fund	9.8	14.5

Carryforwards (reserves)



Addressing the budget deficit

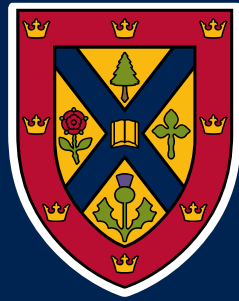
- The 2024-25 budget plan is still being updated; the budget office is working on the full picture, but it is clear there is a lot of work to do.
- Queen's is one university and we will work together to resolve the current situation.



Addressing the budget deficit



- The senior leadership team is accountable for the resolution of the budget situation.
- Faculties/schools are responsible for the responses that have to be made to adapt to the new budget at the faculty/unit level.
- The Strategic Implementation and Operations Task Force will oversee actions being taken to reduce budgets and facilitate integrated conversations across Queen's.
- The Task Force will manage risk to ensure Queen's is financially sustainable and resourced appropriately to support the academic mission, and to minimize the impact on students.



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