Current Budgetary Challenges
Queen's Managerial and Professional Group

Matthew Evans, Provost and Vice-Principal (Academic)

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Agenda

1. Introduction
2. The university’s financial situation
3. Next steps
4. Q & A
Why has growth in expenditure exceeded revenue?

- Increasing costs
  - Salary increases, (note that salaries comprise 67% of expenditure)
  - Inflation (16% increase since 2019)

- Falling revenue
  - 10% cut in tuition for ON residents in 2019 and ongoing tuition freeze
  - Falling international student enrolment; admissions falling since 2019

- Expenditure has been allowed to rise during times of plenty and not reduced quickly enough when times became tougher
Revenue is earned by faculties through student load; central charges follow an activity-based cost allocation model.
Enrolment: Undergraduate

Note that tuition plus provincial grants for teaching provide $635M of the $660M operating budget.
Central costs are charged via an activity-based model scaled to yield the total funds required.
2023-24 budget by faculty:
Total revenue, central costs, and faculty expenses

<table>
<thead>
<tr>
<th>Faculty</th>
<th>Revenue ($m)</th>
<th>Central costs ($m)</th>
<th>Faculty Expenses ($m)</th>
<th>Deficit ($m)</th>
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<tbody>
<tr>
<td>FAS</td>
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Deficits in 2023-24 can be covered by reserves, but not for much longer

Brown bars are reserved for capital projects, so are unavailable for other expenditure

Reserves in FAS are essentially gone by the end of 2023-24; those in FEAS won’t last another year; FHS maybe to the end of 2024-25
Faculty required savings (deficit + salary increases) over two years as a percentage of current budget
Shared Services deficit + salary increases over two years as percentage of current budget
How do we fix this? First, we need to cut costs now

- The immediate budget deficit is an acute problem; it can only be addressed by cutting costs from the institution.
  - Hiring freeze was implemented in May 2023 for full-time operating budget positions; this is having an impact.
  - Budget cuts have been disseminated for 2024-25 and 2025-26 to allow all units to plan the necessary cuts.
  - Requiring shared services to be structurally balanced by 2024-25 and faculties and schools to be structurally balanced by 2025-26.

- While we do this, we also need to protect the core academic mission of the university and advance our strategic goals.
Next steps, we need to ensure this doesn’t happen again

- We need to look critically at both our cost structures and revenue generation to ensure the budget deficit problem does not recur.
  
  - An examination of the provision of professional services to determine the most effective method of service delivery
  
  - Creation of working group on non-degree programming to explore opportunities for revenue diversification and cost efficiencies
  
  - Increase in international recruitment efforts, especially in new markets.

- There is unallocated funding of approximately $14M in 2024-25 held in the University Fund that will be used to protect the academic mission, invest in opportunities to create efficiencies, and advance strategic priorities.
Delivering on strategic goals is still the focus

QUEEN’S STRATEGY

- **GLOBAL ENGAGEMENT**
- **QUEEN’S IN THE COMMUNITY**
- **WORKPLACE CULTURE**
- **STUDENT LEARNING**
- **RESEARCH & TEACHING INTEGRATION**

We must rethink how we are doing things.

We’ll nudge things in the right direction, rather than take sweeping, wholesale action in satisfying the goals.

$ Much of the strategy can be delivered by re-purposing funds. As an example, classroom renovation budget: we can renovate to innovate, for flexible teaching options.
 Longer-term goals

- There is a more substantial budget for delivery of strategic projects.
- Reserves are built for strategic investment.
Q & A