

Budget Update

Special Meeting of Senate

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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

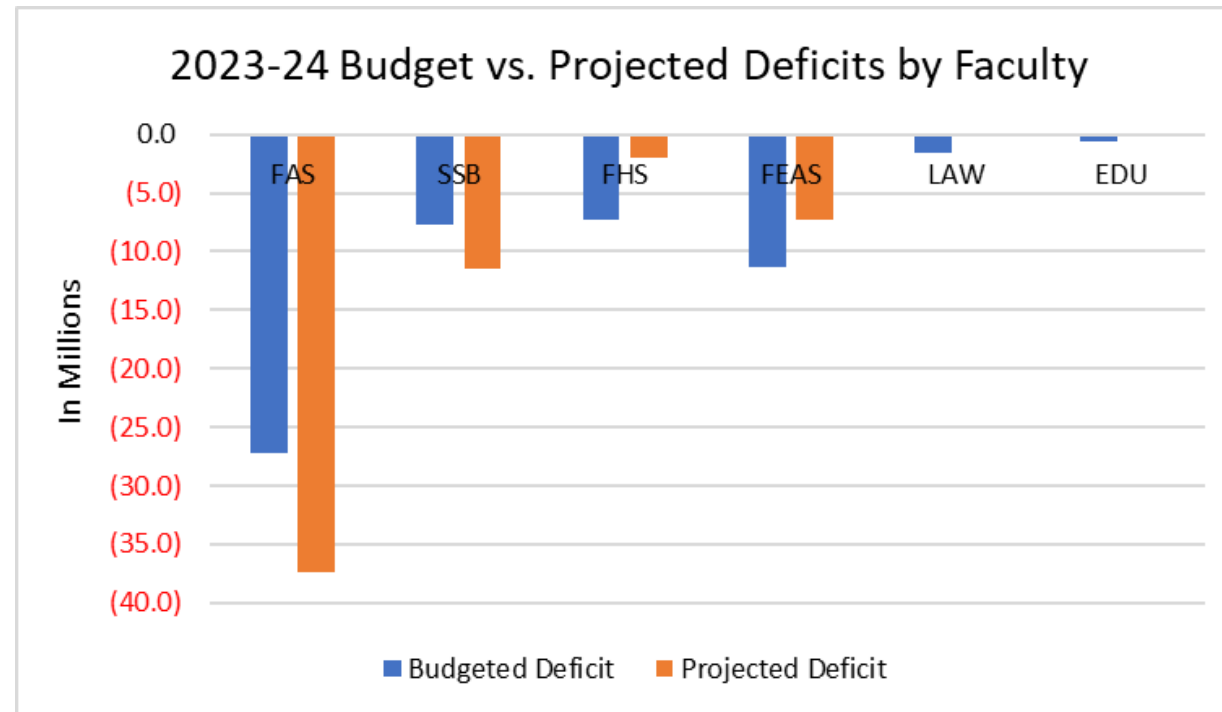
**Other revenue is comprised of unrestricted donations, other income, and research overhead.

***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 |
| Engineering | 850 | 861 | 11 |
| Commerce | 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 |
| Engineering | 100 | 39 | -61 |
| Commerce | 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 |
| Engineering | 215 | 161 | -54 | -\$3.2M |
| Commerce | 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.

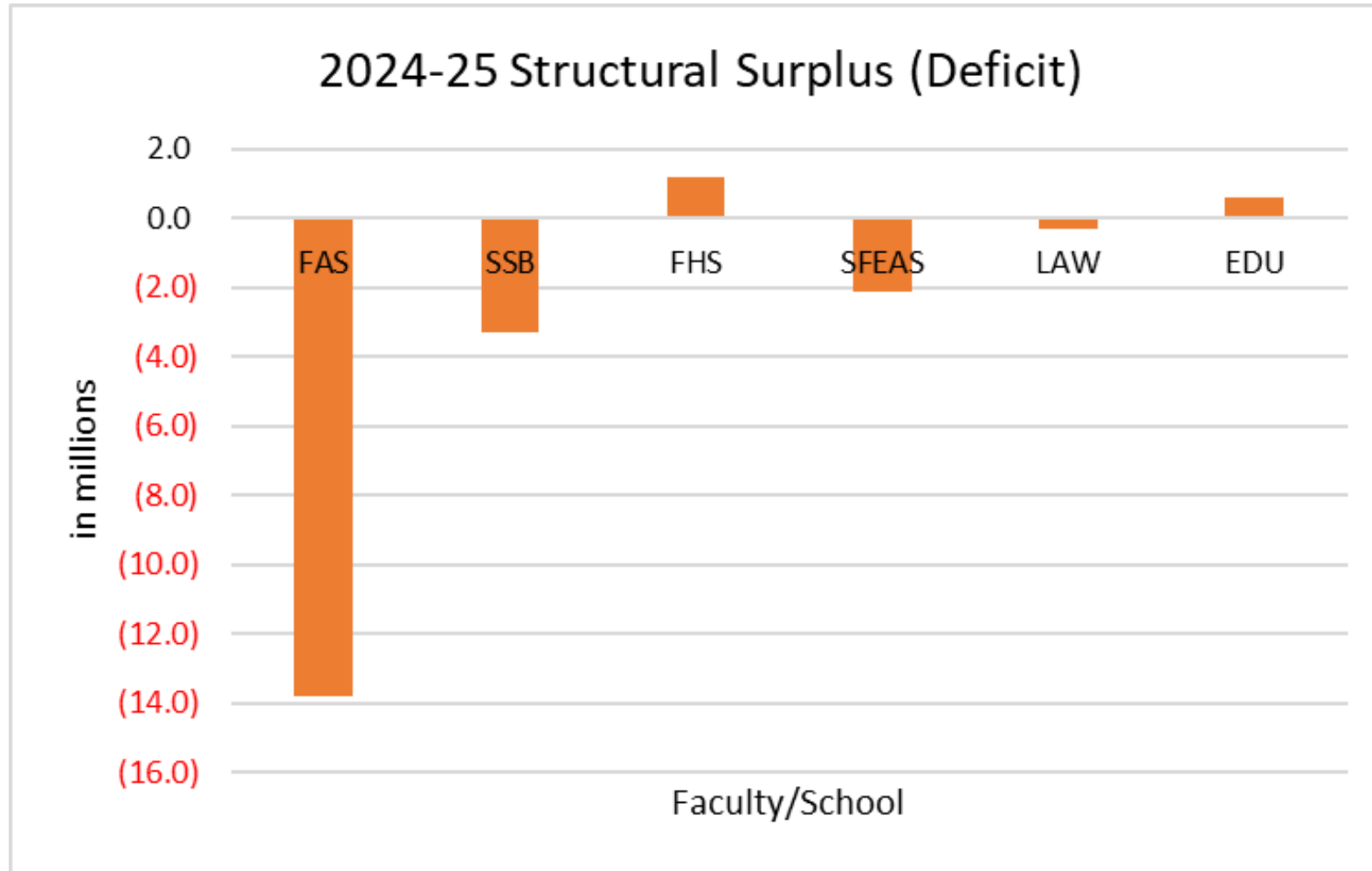
Faculty/School preliminary budget projections: 2024-25

| In Millions | | | | | | | | |
|---|-------|---------------|--------------|-------------|--------------|--------------|-------------|---------------|
| | Units | FAS | SSB | FHS | SFEAS | 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) |
| * The Smith Faculty of Engineering and Applied Science "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

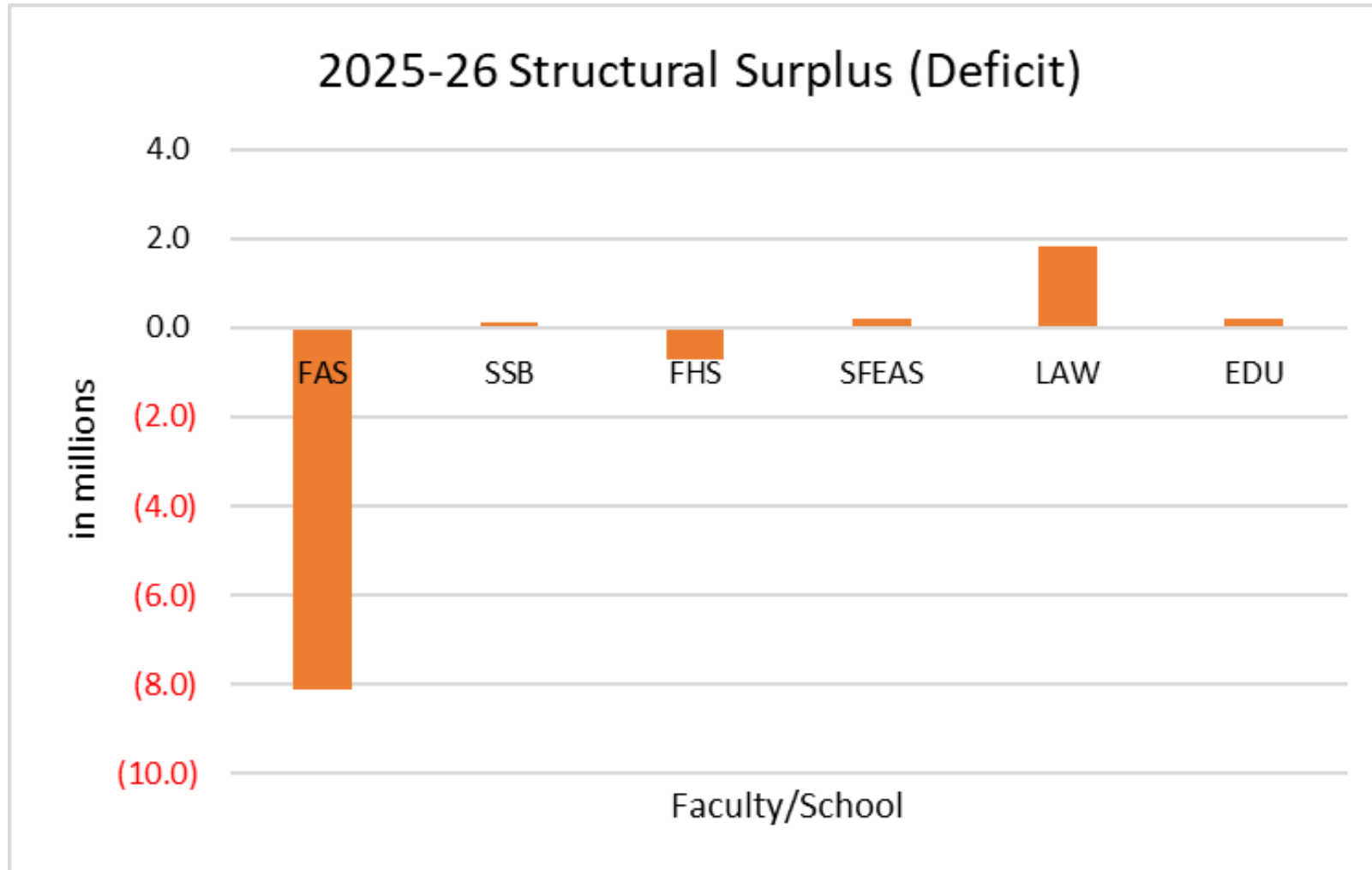


Faculty/School preliminary budget projections: 2025-26

| In Millions | | | | | | | | |
|-------------------------------------|-------|--------------|--------------|--------------|-------------|-------------|-------------|--------------|
| | Units | FAS | SSB | FHS | SFEAS | 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

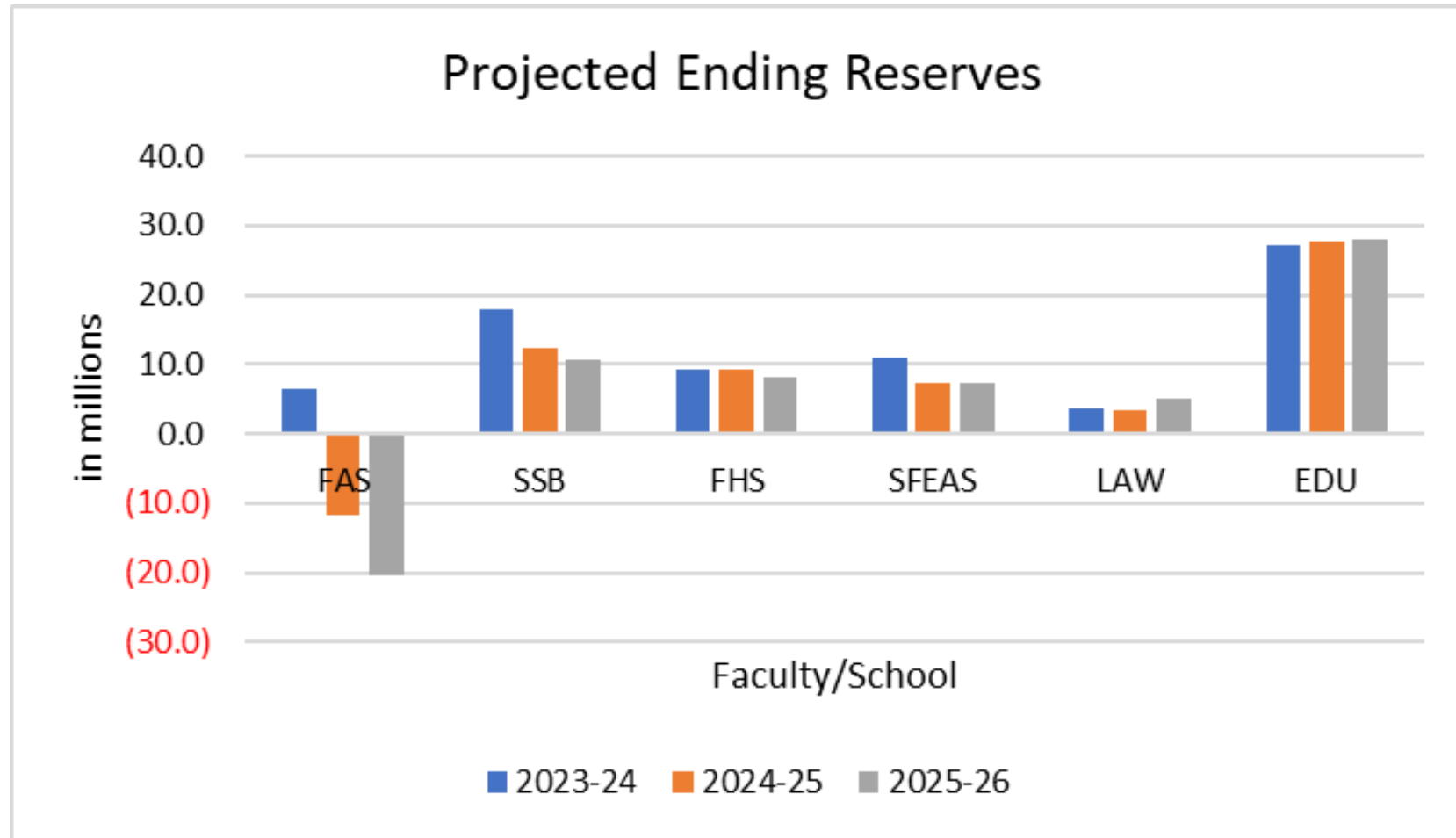


Carryforwards (reserves)

| In Millions | | | | | | | | |
|--|-------|---------------|-------------|------------|-------------|------------|-------------|-------------|
| | Units | FAS | SSB | FHS | SFEAS | 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 | SSB | FHS | SFEAS | 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 |
| In Millions | | | | | | | | |
| | Units | FAS | SSB | FHS | SFEAS | 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

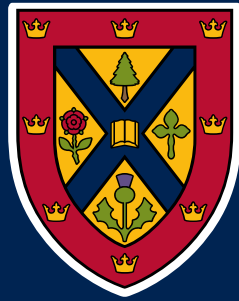
- The 2024-25 budget plan is still being updated; the budget office is working on the full picture, but it is clear there is a lot of work to do.
- Queen's is one university and we will work together to resolve the current situation.



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.



Queen's
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