



November 30, 2023

Dear Queen's Community,

I write to you with a further update regarding the university's budget. I understand that in recent weeks, considerable attention has been focused on the state of the university's finances. It is true that the university is facing significant financial challenges. Costs have exceeded revenue to an unsustainable level with an operating budget deficit for the current fiscal year 2023-24 initially projected to be over \$62 million. This is ten percent of our total operating budget of slightly more than \$600 million.

This operating deficit is the result of falling revenue related directly to the provincial government's decision in 2019 to cut and subsequently freeze tuition for Ontario's students. Tuition, plus provincial grants for teaching, provide 95 percent (\$600 million) of our \$635 million operating budget. In effect, the government's decision to cut and freeze tuition has cost Queen's almost \$180 million to date in lost revenue.

Our operating budget has also been hit harder than many other universities in Ontario by falling international student enrollment, which has not recovered as quickly. At the same time, costs have increased through inflationary pressures and other costs.

The university has so far relied on our financial reserves to cover our operating deficits, but that path is not sustainable. Our reserves are rapidly depleting and will not be enough to cover another full year of deficits at the level we are currently operating.

The university is also not able to access funds outside of our operating budget to cover operating expenses. The operating fund represents about 65 per cent of the total revenues of the university. The other 35 per cent of total revenues are spread across the five other funds that include money that is externally restricted, such as research and donor funds. This is why the university reported an overall surplus of \$15.6M at the end of the 2022-23 fiscal year but is still projecting a significant deficit in this year's operating fund. More specific [details](#) on the university's Audited Consolidated Financial Statements are available on [the Financial Services website](#).

All of this is to make you aware that the deficit is an acute problem – one that affects the entire university – and requires urgent action in the short term which can only be addressed by reducing costs. While there is no avoiding an immediate focus on cost



reduction and the imperative of structurally balancing our operating budget, we must do this while protecting our core academic mission of research and teaching.

The university's initial response to the budget situation was to implement a hiring freeze earlier this year and to impose a reduction on Faculty and Shared Service budgets in order to ensure those budgets could be structurally balanced over the next two years. This has resulted in reducing our projected budget deficit to \$48 million but it has come at a significant cost with no new faculty being hired. In large part, this reduction in the deficit is due to delayed hiring linked to the hiring freeze, as well as intentional decreases in expenditures as the university focuses on balancing the budget.

In examining costs and reducing expenditure to reach structurally balanced budgets, we are making every effort to limit the impact on employees. The university understands how hard our employees work and how much they contribute to our overall success. While there have been some job losses already and some positions remain unfilled in an effort to balance budgets in the short term, the longer-term outlook requires making careful and deliberate decisions about the use of our resources. Faculty renewal is crucial to the success of our institution. What must always remain a priority is our ability to hire and recruit faculty that can contribute to our overall academic mission and our commitment to be a world class university.

It will take significant efforts from Faculties and Shared Service units to reduce costs and reach a balanced budget within the next two years. Immediate pressures require us to take immediate action, but we cannot remain solely focused on the short term. We must also look to build a long-term future for Queen's that is fiscally sustainable, where we have the dollars needed to invest in our research and education mission which is essential for us to achieve our ambitions as a university for the future.

As challenging as the steps to reach structurally balanced budgets will be, once achieved, this will enable us as a university to focus on building our research capacity and to invest in academic excellence.

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