

UConn

UNIVERSITY OF CONNECTICUT

FY15

Six Month

Budget Update

February 2015

University of Connecticut (Storrs & Regional Campuses) – FY15

Overview of the Operating and Research Funds For the Six Months Ended December 31, 2014

Summary

On June 25, 2014, the Board of Trustees approved a Spending Plan for Fiscal Year 2015 which includes \$1,188.8 million of revenue to cover \$1,188.8 million in expenses.

Financial results for the first six months of Fiscal Year 2015 reflected a number of different factors when compared to budget. Actual revenue totaled \$637.4 million or 53.6% of the budget. At the close of December, the University expenditures totaled \$588.2 million or 49.5% of the budget. The net gain shown in this six month report is not indicative of expected annual results.

A more detailed review of the first six months of Fiscal Year 2015 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2015 were \$586.0 million which represented 53.6% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 52.0% of the annual budget. A major source of revenue, **State Support**, was \$201.8 million and represented 31.7% of total receipts for the first six months. On November 20, 2014, the Governor exercised his authority to rescind State Support. The appropriation was reduced by about 1% (\$2.3 million or approximately \$3.5 million including fringe benefits). However, total State Support for Fiscal Year 2015 is projected to be close to budget due to a higher fringe return.

Tuition collections were the largest source of revenue, totaling \$168.9 million, which represented 26.5% of total operating fund revenues. Tuition revenues were 53.9% of the annual amount budgeted (\$313.2 million). Tuition revenue collections reflect a 6.5% rate increase coupled with a 1.7% increase in the number of undergraduate students. As a result of the *Next Generation Connecticut* initiative, undergraduate enrollment has increased 3% since Fiscal Year 2013.

Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off campus MBA, EMBA, etc.). Also included in this category is the General University Fee, which primarily supports four Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. The first six months Fee collections were \$57.2 million or 51.7% of the amount budgeted.

Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2015 was \$108.2 million which represented 51.7% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 3.0%.

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For the first six months of Fiscal Year 2015, Gifts, Grants and Contracts revenue of \$36.7 million, which included \$3.9 million from the UConn Foundation, was 42.8% of the annual budget. This category is projected to be greater than budgeted due to additional State and Federal financial aid.

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Investment Income for the first two quarters of Fiscal Year 2015 was \$0.4 million. Interest rates continue to be low with the rate for December 2014 at 0.16% compared to 0.15% in December 2013. Investment income for the year is projected to be on budget. Actual results will depend on interest rates and the University’s cash balance through the second half of the fiscal year.

Sales and Services of Educational Activities and Other Sources revenue totaled \$12.8 million or 51.5% of budget for the second quarter.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first six months, Research Fund revenues were \$51.4 million and represented 53.5% of the amount budgeted. In Fiscal Year 2014, Research Fund revenues reported in the first six months totaled \$51.8 million and represented 57.3% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding Debt Service & Non-mandatory/Projects) for the first six months of Fiscal Year 2015 were \$525.4 million or 48.8% of the annual budgeted amount. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	49.1%
Fringe Benefits	47.2%
Other Expenses	49.5%
Equipment	54.1%
Student Aid	49.2%

Personal Services/Fringe Benefits represented 48.5% of the annual budgeted amount of \$717.6 million. As a result of the *Next Generation Connecticut initiative*, the Fiscal Year 2015 budget included filling an additional 61 new faculty positions. The official net new full-time faculty count is 32 more than the prior year (based on IPEDS federal reporting standards). On the staff side, hiring is lower than budgeted due to careful review of hiring requests and slower hiring than projected.

Other Expenses (including energy costs) were \$105.2 million for the first six months. This category is projected to be more than budgeted due to higher than expected faculty start-up expenses and other operating support.

Equipment expenditures of \$3.8 million were 54.1% of the amount budgeted. Utilization of alternate revenue sources will cause this category of expenses to be less than budgeted at year-end.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first two quarters, Student Aid expenditures were \$68.4 million and represented 49.2% of the amount budgeted. This category is projected to be higher than budgeted due to additional University supported financial aid awarded to students and more State and Federal aid as mentioned in the Grants category.

Net Debt Service & Non-mandatory/Projects for the first two quarters were \$15.9 million or 101.7% of the amount budgeted. This category is projected to be higher than budgeted due to additional funds set-aside for projects that cannot be funded with UCONN 2000 bond funds.

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Expenditures - Research Fund

Finally, **Research Fund** expenditures totaled \$47.0 million and represented 48.5% of the budgeted amount. In Fiscal Year 2014, Research Fund expenditures reported in the first six months totaled \$53.4 million and represented 58.3% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

Enrollment

Total University enrollment for fall 2014 (excluding the Health Center) is up 2.1% from fall 2013. Undergraduate enrollment (degree and non-degree) is up 1.7%, Graduate enrollment is up 4.2%, and Professional enrollment is down 2.7%.

Fund Balance

After the first two quarters, the University is projecting a small net gain for the fiscal year ended June 30, 2015. The Current Funds Unrestricted Fund Balance of \$78.9 million would increase by \$1.7 million to \$80.6 million (Operating Fund \$61.5 million and Research Fund \$19.1 million). The projected Current Funds Unrestricted Fund Balance represents 7.7% of the current year's unrestricted expenditure budget (\$1,041.1M) or, alternatively stated, 28 days' worth of operations. Also, in accordance with current University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditures in the current and future fiscal years.

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FY 2015 Statement of Current Funds Budget¹ and Variance (\$M)

Current Funds Revenues:	<u>YTD 12/31/14</u>	<u>Budget</u>	<u>Forecast</u>	<u>Variance</u>	<u>% Change</u>
Operating Fund					
State Support	\$201.8	\$348.7	\$351.6	\$2.9	
Tuition	168.9	313.2	315.5	2.3	
Fees	57.2	110.6	111.9	1.3	
Grants & Contracts	32.8	68.4	68.4	0.0	
Foundation	3.9	17.2	17.2	0.0	
Investment Income	0.4	0.6	0.6	0.0	
Sales & Service Education	8.3	16.1	16.1	0.0	
Auxiliary Enterprise Revenue	108.2	209.2	208.2	(1.0)	
Other Revenue	<u>4.5</u>	<u>8.8</u>	<u>8.8</u>	<u>0.0</u>	
Total Operating Fund	\$586.0	\$1,092.8	\$1,098.3	\$5.5	0.5%
Research Fund	<u>51.4</u>	<u>96.0</u>	<u>96.0</u>	<u>0.0</u>	0.0%
Total Current Funds Revenues	\$637.4	\$1,188.8	\$1,194.3	\$5.5	0.5%
Current Funds Expenditures:					
Operating Fund					
Salaries & Wages	\$240.3	\$489.5	\$485.5	(\$4.0)	
Fringe Benefits	107.6	228.1	225.1	(3.0)	
Other Expenses	97.9	188.8	192.7	3.9	
Energy	7.3	23.8	23.8	0.0	
Equipment	3.8	7.0	5.8	(1.2)	
Student Financial Aid	68.4	139.2	142.2	3.0	
Debt Service	15.9	18.0	18.0	0.0	
Non-mandatory/Projects	<u>0.0</u>	<u>(2.4)</u>	<u>2.7</u>	<u>5.1</u>	
Total Operating Fund	\$541.2	\$1,092.0	\$1,095.8	\$3.8	0.3%
Research Fund	<u>47.0</u>	<u>96.8</u>	<u>96.8</u>	<u>0.0</u>	0.0%
Total Current Funds Expenditures	\$588.2	\$1,188.8	\$1,192.6	\$3.8	0.3%
Net Gain	<u>\$49.2</u>	<u>\$0.0</u>	<u>\$1.7</u>	<u>\$1.7</u>	
Net Gain Operating Fund		\$0.8	\$2.5		
Net Loss Research Fund		(\$0.8)	(\$0.8)		

¹The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format. The current funds format shows gross student tuition and fees and does not net out scholarship allowances, as required in the financial statements which are prepared in the GASB Nos. 34/35 format. Scholarship allowances are shown as an expense item. In addition, the University's current funds format includes equipment purchases as an expense, does not include depreciation or amortization and does not include the State debt service commitment for principal and interest.