

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Nine Months Ended March 31, 2009

Summary

On September 23, 2008, the Board of Trustees approved a Revised Spending Plan for Fiscal Year 2009 of \$938.3 million. This budget included \$939.3 million of revenue to cover \$938.3 million in expenses, yielding a \$1.0 million net gain. The net gain is the \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union.

Financial results for the first nine months of Fiscal Year 2009 reflected a number of different factors when compared to budget. Actual revenue totaled \$805.2 million or 85.7% of the budget. At the close of March, the University expenditures and transfers totaled \$711.4 million or 75.8% of the budget.

The net gain for the Operating Fund shown in this nine month report is not indicative of expected annual results, as most Operating Fund revenue is typically received in the first three quarters of the fiscal year while expenditures are more evenly distributed throughout the year.

A more detailed review of the first nine months of Fiscal Year 2009 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first nine months of Fiscal Year 2009 were \$747.7 million which represented 86.4% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 85.1% of the annual budget. A major source of revenue, **State Support**, consisted of a \$181.0 million appropriation and a fringe benefit allotment of \$70.5 million. State Support represented 33.6% of total Operating Fund receipts for the first nine months. On June 24, 2008, the Governor issued a directive which reduced the Fiscal Year 2009 State appropriation allotment by \$6.7 million or 3%; associated fringe benefit support was also reduced by \$2.7 million for a total of \$9.4 million. This rescission and the anticipated reduction in collective bargaining support from the State's Reserve for Salary Adjustment account of approximately \$2.7 million (includes estimated fringe benefits) were reflected in the Revised Spending Plan for Fiscal Year 2009. Since the spending plan was revised in September, the Governor reduced the Regional Campus allotment by \$0.2 million (including fringe benefits) on December 17, 2009 and reduced the Operating Fund allotment by \$6.1 million (including fringe benefits) on March 30, 2009.

Tuition collections were the second largest source of revenue, totaling \$209.1 million, which represented 28.0% of total Operating Fund receipts. Tuition receipts were 102.4% of the annual amount budgeted (\$204.2 million). Tuition revenue collections reflect a 5.6% rate increase coupled with a 2.7% increase in the number of undergraduate degree-seeking students who account for approximately 86.6% of budgeted tuition revenues. The revised Board of Trustee budget was only based on a 1.6% increase in undergraduate degree-

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seeking students. Therefore, tuition revenue is forecasted to be greater than budgeted due to higher enrollment than expected.

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 nine months Fee collections were \$72.7 million or 88.1% of the amount budgeted. This category is forecasted to be less than budgeted primarily due to fewer than projected students in fee based self-supporting academic programs.

Auxiliary Enterprise Revenue for the first nine months of Fiscal Year 2009 was \$133.0 million which represented 94.7% of the annual budgeted amount and is forecasted to be ahead of budget at year end due to a greater amount of students housed and more meal plans than anticipated. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 8.3% and 6.3% respectively (\$111.4 million) and Athletic Department receipts (\$18.4 million).

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 nine months of Fiscal Year 2009, Gifts, Grants and Contracts revenue of \$56.8 million, which included \$7.5 million from the UConn Foundation, was 74.5% of the annual budget. The University has received additional federal financial aid, but this category is forecasted to be less than the budget at year end due to slower implementation of the federally funded Teach Grant and less funds transferred from the Foundation for Athletics than expected.

Investment Income for the first three quarters of Fiscal Year 2009 was \$3.7 million. Interest rates continue to fall with the rate for March 2009 at 0.95% compared to 3.02% in March 2008. Investment income for the year is projected to be below budget. Actual results will depend on interest rates and the University's cash balance through the last quarter of the fiscal year.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$20.9 million and are on budget for the year.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first nine months, Research Fund revenues were \$57.5 million and represented 78.1% of the amount budgeted. In Fiscal Year 2008, Research Fund revenues reported in the first nine months totaled \$55.3 million and represented 79.9% of the amount budgeted. This category is forecasted to be slightly ahead of budget at year end due to increased revenues from NIH and NSF grants.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first nine months of Fiscal Year 2009 were \$644.1 million or 78.1% of the annual budgeted amount. The spending

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pattern of the first three quarters of Fiscal Year 2008 reflected expenditures of 75.3% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	74.9%
Fringe Benefits	72.3%
Other Expenses	83.5%
Equipment	85.4%
Student Aid	90.2%

Personal Services/Fringe Benefits represents 74.2% of the annual budgeted amount of \$543.8 million and the year-end projection is forecasted to be close to budget. The University was able to identify resources to fund a net increase of 30 full-time faculty defined by the IPEDS federal reporting standard. The hiring of the additional full-time faculty is part of the on-going effort to meet the course coverage demands of increased undergraduate enrollment. In addition, the University has experienced a slower attrition rate than expected and hiring has been limited to only essential positions due to the reductions in State Support. The personal service and fringe benefit expenditures will continue to be monitored closely throughout the year as they represent 62.9% of the Operating Fund expenditure budget.

Other Expenses (including energy costs) were \$148.8 million for the first nine months and represented 83.5% of the amount budgeted. Energy expenditures are projected to be slightly under budget due to lower than expected non-cogeneration gas and electric consumption. Other Expenses (excluding energy costs) were ahead of budget due to two contributing factors. Library acquisitions which were classified as prepaids at June 30, 2008 are now included in actual expenditures. Also, Residential Life spent additional funds to convert existing space into dorm rooms and to purchase furniture to accommodate the higher than anticipated enrollment.

Equipment expenditures of \$10.2 million were 85.4% of the amount budgeted and are forecasted to be on budget at year-end.

Student Aid funds are predominantly spent in the first and third quarter of the fiscal year. For the first three quarters, Student Aid expenditures were \$81.6 million and represented 90.2% of the amount budgeted. This category is expected to be on budget for the year. While the University has received additional federal aid for Pell Grants, there was a slower implementation of the federally funded Teach Grant than expected.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects transfers to Plant Funds for various building improvements, code related corrective action and bond and installment loan payments as well as payments for the capital lease for the cogeneration plant. Transfers do not always follow a predictable pattern, so quarterly results or comparisons are not necessarily indicative of annual results.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$60.4 million and represented 82.0% of the budgeted amount. Research Fund transfers include a budgeted \$2.5 million for

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faculty start-up equipment. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. In Fiscal Year 2008, Research Fund expenditures and transfers reported in the first nine months totaled \$53.5 million and represented 77.3% of the budgeted amount.

Enrollment

Total University enrollment for fall 2008 (excluding the Health Center) was up 2.4% from fall 2007. First semester freshmen enrollment was up 12.3% from fall 2007 and total undergraduate enrollment (degree and non-degree) was up 2.5%. The current year budget was based on a projected 1.2% increase in total University enrollment and a projected 1.6% increase in undergraduate enrollment.

Cash Balance

The March 31, 2009 current funds cash balance was \$213.0 million, \$47.7 million more than March 2008 which was \$165.3 million. The current funds cash balance reflected the collection of 85.7% of budgeted revenue while total expenditures and transfers were 75.8% of budget. The cash balance is expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the March 31, 2009 cash balance represented 22.7% of the annual expenditure budget as compared to 18.3% one-year ago.

Fund Balance

As of December 31, 2008, the University was forecasted to have a net gain of \$1.2 million for the fiscal year ended June 30, 2009, which would result in a Current Funds Unrestricted Fund Balance of \$65.9 million (Operating Fund-\$47.7 million; Research Fund-\$18.2 million). The fund balance would represent 8.0% of the current year's unrestricted expenditure budget. Also, in accordance with standard University procedures, centrally funded unrestricted fund balances would be carried forward in departmental accounts and be available for expenditure in the current and future fiscal years. The Fiscal Year 2009 revised budget assumed a consistent level of departmental fund balances at June 30, 2009. Any variance from this assumption will affect the projected fund balance level at year-end.

On March 30, 2009, the University received confirmation that the Governor had decided to exercise her statutory authority to rescind another 2% or \$6.1 million (including fringe benefits) from our state support. The University will manage this difficult challenge during the fourth quarter with funds set aside for that purpose at the time of the first rescission. In addition, savings have been identified by the Cost, Operations & Revenue Efficiencies Task Force. The University will continue to limit any hiring to only essential positions and to strictly limit all institutional spending, including spending on professional travel. The actual end-of-year net gain/loss will depend on the effectiveness of these cost saving measures.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses (a)
For the Months Ending:
3/31/2009

	Operating Budget					Actual								
	Total	Research Fund	Operating Fund			Total	Research Fund	% of Budget	Operating Fund			% of Budget	% of Actual	
			E&G	Aux Ent	Subtotal				E&G	Aux Ent	Subtotal			
REVENUE														
State Appropriations	\$ 239,155,605	\$ -	\$239,155,605	\$ -	\$ 239,155,605	\$ 181,007,618	\$ -		\$181,007,618	\$ -	\$ 181,007,618	75.7%	24.2%	
State Allotment Fringe Benefits	89,742,687	-	89,742,687	-	89,742,687	70,535,224	-		70,535,224	-	70,535,224	78.6%	9.4%	
Total State Support	328,898,292	-	328,898,292	-	328,898,292	251,542,842	-		251,542,842	-	251,542,842	76.5%	33.6%	
Tuition	204,168,077	-	197,990,494	6,177,583	204,168,077	209,075,824	-		203,113,282	5,962,542	209,075,824	102.4%	28.0%	
Fees	82,601,020	-	57,121,016	25,480,004	82,601,020	72,732,927	-		47,252,923	25,480,004	72,732,927	88.1%	9.7%	
Grants & Contracts	127,012,703	73,484,347	52,968,477	559,879	53,528,356	106,721,582	57,471,474	78.2%	48,640,088	610,020	49,250,108	92.0%	6.6%	
Foundation	22,614,800	50,000	10,350,800	12,214,000	22,564,800	7,484,073	8,797	17.6%	5,108,141	2,367,135	7,475,276	33.1%	1.0%	
Investment Income	5,382,645	-	5,382,645	-	5,382,645	3,660,371	-		3,595,666	64,705	3,660,371	68.0%	0.5%	
Sales and Services of Ed Activities	16,933,666	50,000	16,883,666	-	16,883,666	12,609,896	28,607	57.2%	12,581,289	-	12,581,289	74.5%	1.7%	
Auxiliary Enterprise	140,391,547	-	-	140,391,547	140,391,547	133,009,528	-		-	133,009,528	133,009,528	94.7%	17.8%	
All Other Sources	11,348,345	102,250	11,246,095	-	11,246,095	8,386,893	45,740	44.7%	8,313,099	28,054	8,341,153	74.2%	1.1%	
TOTAL REVENUE	\$ 939,351,095	\$ 73,686,597	\$ 680,841,485	\$ 184,823,013	\$ 865,664,498	\$ 805,223,936	\$ 57,554,618	78.1%	\$ 580,147,330	\$ 167,521,988	\$ 747,669,318	86.4%	100.0%	
Expenses														
Personal Services	\$ 440,255,361	\$ 36,736,235	\$ 351,657,934	\$ 51,861,192	\$ 403,519,126	\$ 330,331,057	\$ 28,243,232	76.9%	\$ 262,438,401	\$ 39,649,424	\$ 302,087,825	74.9%	46.4%	
Fringe Benefits	149,090,416	8,816,696	120,368,362	19,905,357	140,273,719	108,442,651	7,010,604	79.5%	87,858,924	13,573,123	101,432,047	72.3%	15.6%	
Other Expenses	198,962,721	20,856,900	103,765,356	74,340,465	178,105,821	168,432,048	19,643,179	94.2%	82,636,191	66,152,678	148,788,869	83.5%	22.9%	
Equipment	15,626,765	3,626,765	9,955,235	2,044,765	12,000,000	14,091,203	3,848,120	106.1%	8,560,783	1,682,300	10,243,083	85.4%	1.6%	
Fixed Charges/Student Aid	91,632,796	1,150,000	80,872,417	9,610,379	90,482,796	81,861,024	275,139	23.9%	72,146,215	9,439,670	81,585,885	90.2%	12.5%	
Total Expenditures	\$ 895,568,059	\$ 71,186,597	\$ 666,619,304	\$ 157,762,158	\$ 824,381,462	\$ 703,157,983	\$ 59,020,274	82.9%	\$ 513,640,514	\$ 130,497,195	\$ 644,137,709	78.1%	98.9%	
Debt Service	21,682,054	\$ -	\$ 8,712,181	\$ 12,969,873	\$ 21,682,054	\$ 12,269,744	\$ -		\$ 5,492,518	\$ 6,777,226	\$ 12,269,744	56.6%	12.7%	
Non Mandatory	21,090,982	2,500,000	4,500,000	14,090,982	18,590,982	(3,973,684)	1,384,560		(12,739,025)	7,380,781	(5,358,244)	-28.8%	-5.5%	
Total Expense/Transfer	\$ 938,341,095	\$ 73,686,597	\$ 679,831,485	\$ 184,823,013	\$ 864,654,498	\$ 711,454,043	\$ 60,404,834	82.0%	\$ 506,394,007	\$ 144,655,202	\$ 651,049,209	75.3%	100.0%	
Net Gain (Loss)	\$ 1,010,000	\$ 0	\$ 1,010,000	\$ -	\$ 1,010,000	\$ 93,769,893	\$ (2,850,216)		\$ 73,753,323	\$ 22,866,786	\$ 96,620,109			
NET INC(DEC) CASH BALANCE														
CASH BALANCE 6/30/08														
CASH BALANCE 3/31/2009														

(a) Budgeted and actual revenues and expenditures represent accrual basis, except compensated absences which are adjusted at fiscal year end, rather than cash expenditures.

UNAUDITED

UNIVERSITY OF CONNECTICUT
Projection of Changes in Net Assets - All Funds
For the Year Ended June 30, 2009

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<u>Revenues and Expenditures, 6/30/2009</u>					
Revenue	\$ 865,664,498	\$ 73,686,597	\$ 939,351,095	\$ 265,786,706	\$ 1,205,137,801
Expenditures and Transfers	864,654,498	73,686,597	938,341,095	177,826,715	1,116,167,810
Net Increase (Decrease)	<u>\$ 1,010,000</u>	<u>\$ -</u>	<u>\$ 1,010,000</u>	<u>\$ 87,959,991</u>	<u>\$ 88,969,991</u>
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Net Assets, 6/30/08 (Unaudited)					
Restricted and invested in capital net of related debt	\$ 14,249,046	\$ 380,047	\$ 14,629,093	\$ 1,227,683,531	\$ 1,242,312,624
Unrestricted	46,466,166	18,196,251	64,662,417	71,121,809	135,784,226
Total, 6/30/08	<u>\$ 60,715,212</u>	<u>\$ 18,576,298</u>	<u>\$ 79,291,510</u>	<u>\$ 1,298,805,340</u>	<u>\$ 1,378,096,850</u>
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Compensated Absences Liability, 6/30/08	\$ 25,018,064				
Change at 6/30/09					
Restricted and invested in capital net of related debt	\$ -	\$ -	\$ -	\$ 101,527,500	\$ 101,527,500
Unrestricted	1,010,000	-	1,010,000	(13,567,509)	(12,557,509)
Subtotal, 6/30/09	<u>\$ 1,010,000</u>	<u>\$ -</u>	<u>\$ 1,010,000</u>	<u>\$ 87,959,991</u>	<u>\$ 88,969,991</u>
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Net Assets, 6/30/09					
Restricted and invested in capital net of related debt	\$ 14,249,046	\$ 380,047	\$ 14,629,093	\$ 1,329,211,031	\$ 1,343,840,124
Unrestricted	47,476,166	18,196,251	65,672,417	57,554,300	123,226,717
Total, 6/30/09	<u>\$ 61,725,212</u>	<u>\$ 18,576,298</u>	<u>\$ 80,301,510</u>	<u>\$ 1,386,765,331</u>	<u>\$ 1,467,066,841</u>
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Compensated Absences Liability, 6/30/09	\$ 25,518,426				