

# University of Connecticut (Storrs & Regional Campuses) – FY11

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## Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2010

### Summary

On June 10, 2010, the Board of Trustees approved a Spending Plan for Fiscal Year 2011 which includes \$1,033.5 million of revenue to cover \$1,047.5 million in expenses and transfers. The net loss of \$14.0 million consists of the \$1.0 million reserve repayment from the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union, and a \$15.0 million transfer from University operating reserves to the State General Fund as required by the 2011 State budget.

Financial results for the first six months of Fiscal Year 2011 reflected a number of different factors when compared to budget. Actual revenue totaled \$528.2 million or 51.1% of the budget. At the close of December, the University expenditures and transfers totaled \$544.0 million or 51.9% of the budget.

The net gain or loss shown in the six month report is not always indicative of expected annual results. More revenue is typically received in the first and second quarters of the fiscal year while expenditures are normally more evenly distributed throughout the year. This year, there is a higher level of expenditures at this point in time primarily due to the other expense and equipment encumbrances at the end of fiscal year 2010 that became expenses in the first two quarters of fiscal year 2011. In addition, the mandatory transfer of \$15M to the State General Fund was included in the second quarter as an accounting accrual even though the actual funds will not be moved until the end of the fiscal year. The current year-end forecast reflects a net loss of \$12.9 million.

A more detailed review of the first six months of Fiscal Year 2011 operations is presented below.

### Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2011 were \$477.4 million which represented 50.9% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 49.7% of the annual budget. A major source of revenue, **State Support**, consisted of a \$115.7 million appropriation and a fringe benefit allotment of \$51.1 million. State Support represented 34.9% of total Operating Fund receipts for the first six months.

**Tuition** collections were the second largest source of revenue, totaling \$126.3 million, which represented 26.5% of total Operating Fund receipts. Tuition receipts were 52.6% of the annual amount budgeted (\$240.1 million). Tuition revenue collections reflect a 5.66% rate increase coupled with a 1.6% increase in the number of undergraduate degree-seeking students who account for approximately 86.8% of budgeted tuition revenues. Overall enrollment is 2.0% higher than budgeted. Tuition revenue is projected to be greater at fiscal year-end than originally budgeted.

**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

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Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. Due to higher enrollment than projected, the first six months Fee collections were ahead of budget at \$45.7 million or 50.3% of the amount budgeted. This category is forecasted to be higher than expected at year-end.

**Auxiliary Enterprise Revenue** for the first six months of Fiscal Year 2011 was \$86.3 million which represented 50.7% of the annual budgeted amount and will be more than budgeted 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 7.0% and 6.0% respectively (\$68.2 million) and Athletic Department receipts (\$16.0 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 six months of Fiscal Year 2011, Gifts, Grants and Contracts revenue of \$39.2 million, which included \$5.1 million from the UConn Foundation, was 49.6% of the annual budget. This category is expected to be greater than budgeted for the year because of additional federal and state financial aid funds.

**Investment Income** for the first two quarters of Fiscal Year 2011 was \$0.5 million. Interest rates continue to be low with the rate for December 2010 at 0.24% compared to 0.33% in December 2009. Investment income for the year is projected to be slightly less than budgeted. 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** (primarily parking, transit fee, and rental income) revenue totaled \$12.6 million and were slightly ahead of budget primarily due to greater activity in select Educational Activities (i.e. Study Abroad, Roper Center, Institute of Materials Science).

## 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 \$50.8 million and represented 53.5% of the amount budgeted. In Fiscal Year 2010, Research Fund revenues reported in the first six months totaled \$44.7 million and represented 52.1% of the amount budgeted.

## Expenditures - Operating Fund

**Total Operating Fund** expenditures (excluding transfers) for the first six months of Fiscal Year 2011 were \$450.8 million or 51.3% of the annual budgeted amount. The spending pattern for the first two quarters of Fiscal Year 2010 reflected expenditures of 47.4% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	49.9%
Fringe Benefits	49.1%
Other Expenses	54.4%
Equipment	52.5%
Student Aid	53.8%

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**Personal Services/Fringe Benefits** represented 49.7% of the annual budgeted amount of \$563.4 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 18 more than the prior year. Due to the limited strategic hiring and the amount of time it takes to refill positions, especially faculty, we anticipate personal services and fringe benefits to end the year under budget.

**Other Expenses** (including energy costs) were \$102.1 million for the first six months and represented 54.4% of the amount budgeted. Energy expenditures are projected to be slightly below budget for the year due to favorable gas prices. Other Expenses (excluding energy costs) are greater than anticipated for the first two quarters, and are expected to end the year over budget. This is primarily due to the encumbrances at the end of fiscal year 2010 that became expenses in the first two quarters of fiscal year 2011 and the additional cost of hiring a consulting firm to examine operations and recommend savings and revenue-enhancements.

**Equipment** expenditures of \$9.4 million were 52.5% of the amount budgeted. This category was greater than expected for the first two quarters due to equipment that was encumbered at fiscal year 2010 year-end that became expenditures in fiscal year 2011. Annual equipment expenditures are projected to be higher than budgeted for the fiscal year.

**Student Aid** funds are predominantly expended in the first and third quarter of the fiscal year. For the first six months, Student Aid expenditures were \$59.3 million and represented 53.8% of the amount budgeted. This category was ahead of the first two quarters projection and will be greater than budgeted for the year due to additional federal and state funds. The increase in expenditures is offset by the additional state and federal revenue.

### **Expenditures - Operating Fund Transfers**

**Transfers** for the first six months were slightly ahead of budget at \$39.9 million or 54.3% of the amount budgeted and consisted of transfers to Plant Funds for construction projects, bond and installment loan payments, and payments for the capital lease for the cogeneration plant. However, Transfers are expected to be under budget at year-end due to the revised funding plan for the water reclamation project that calls for the reallocation of some existing fund balances as opposed to use of current year revenues. In addition, the timing of future Student Affairs projects has been adjusted to accommodate the current construction schedule and to recognize the limited window of opportunity to actually complete many repairs and renovations since some projects may not be done while students are occupying the buildings.

### **Expenditures - Research Fund**

Finally, **Research Fund** expenditures and transfers totaled \$53.3 million and represented 56.2% of the budgeted amount. In Fiscal Year 2010, Research Fund expenditures and transfers reported in the first six months totaled \$43.9 million and represented 51.1% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. However, it is anticipated that Research expenditures and transfers will exceed budget particularly in the equipment line item and also due to Research Fund support of the Torrey Life Sciences 1<sup>st</sup> Floor construction project.

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## **Enrollment**

Total University enrollment for fall 2010 (excluding the Health Center) is up 1.7% from fall 2009 and undergraduate enrollment (degree and non-degree) is up 1.8%. The budget was based on lower enrollment levels.

## **Fund Balance**

The University's budget was projected to have a net loss of \$14.0 million for the fiscal year ended June 30, 2011. The budgeted fund balance of \$57.5 million represented 6.3% of the current year's unrestricted expenditure budget (\$910.1 million). 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. At this point, we are forecasting a net loss of \$12.9 million which results in a Current Funds Unrestricted Fund Balance of \$58.6 million (Operating Fund-\$42.6 million; Research Fund-\$16.0 million).

**UNIVERSITY OF CONNECTICUT**  
**Statement of Operating Budget Revenues and Expenses**  
**For the Month Ending**  
**12/31/2010**

	Operating Budget					Actual					
	Total	Research Fund	Operating Fund			Total	Research Fund	Operating Fund			
			E&G	Aux Ent	Subtotal			E&G	Aux Ent	Subtotal	
<b>Revenues</b>											
State Appropriations <sup>(1)</sup>	\$ 235,541,587	\$ -	\$ 235,541,587	\$ -	\$ 235,541,587	\$ 115,661,359	\$ -	\$ 115,661,359	\$ -	\$ 115,661,359	
State Allotment Fringe Benefits	96,525,205	-	96,525,205	-	96,525,205	51,117,305	-	51,117,305	-	51,117,305	
<b>Total State Support</b>	332,066,792	-	332,066,792	-	332,066,792	166,778,664	-	166,778,664	-	166,778,664	
Tuition	240,102,478	-	233,312,928	6,789,550	240,102,478	126,341,006	-	119,820,797	6,520,209	126,341,006	
Fees	90,844,367	-	61,569,806	29,274,561	90,844,367	45,657,517	-	16,382,956	29,274,561	45,657,517	
Grants & Contracts	155,377,013	94,567,000	59,834,133	975,880	60,810,013	84,844,868	50,755,367	33,566,338	523,163	34,089,501	
Foundation	18,125,000	25,000	8,689,350	9,410,650	18,100,000	5,085,980	20,534	3,363,275	1,702,171	5,065,446	
Investment Income	1,151,330	-	1,101,330	50,000	1,151,330	551,241	-	516,639	34,602	551,241	
Sales and Services of Ed Activities	14,980,308	96,000	14,884,308	-	14,884,308	6,604,957	(17,355)	6,622,312	-	6,622,312	
Auxiliary Enterprise	170,246,704	-	-	170,246,704	170,246,704	86,330,746	-	-	86,330,746	86,330,746	
All Other Sources	10,586,353	140,000	10,446,353	-	10,446,353	6,004,890	11,583	5,991,707	1,600	5,993,307	
<b>Total Revenues</b>	\$ 1,033,480,345	\$ 94,828,000	\$ 721,905,000	\$ 216,747,345	\$ 938,652,345	\$ 528,199,869	\$ 50,770,129	\$ 353,042,688	\$ 124,387,052	\$ 477,429,741	
<b>Expenses</b>											
Personal Services	\$ 457,562,433	\$ 45,668,571	\$ 357,037,051	\$ 54,856,811	\$ 411,893,862	\$ 227,868,168	\$ 22,294,986	\$ 177,625,994	\$ 27,947,188	\$ 205,573,182	
Fringe Benefits	162,334,681	10,856,819	130,928,954	20,548,908	151,477,862	79,471,895	5,093,826	64,179,277	10,198,792	74,378,069	
Other Expenses	215,616,845	27,754,533	106,793,978	81,068,334	187,862,312	116,674,570	14,550,380	60,602,440	41,521,750	102,124,190	
Equipment	22,730,917	4,898,077	16,044,616	1,788,224	17,832,840	13,330,170	3,968,602	8,175,295	1,186,273	9,361,568	
Fixed Charges/Student Aid	111,276,853	1,150,000	98,773,336	11,353,517	110,126,853	60,927,881	1,644,555	53,578,211	5,705,115	59,283,326	
<b>Total Expenses</b>	\$ 969,521,729	\$ 90,328,000	\$ 709,577,935	\$ 169,615,794	\$ 879,193,729	\$ 498,272,684	\$ 47,552,349	\$ 364,161,217	\$ 86,559,118	\$ 450,720,335	
<b>Transfers</b>											
Debt Service	20,550,651	\$ -	\$ 7,953,058	\$ 12,597,593	\$ 20,550,651	\$ 12,026,115	\$ -	\$ 4,948,944	\$ 7,077,171	\$ 12,026,115	
Non Mandatory	42,377,065	\$ 4,500,000	\$ 3,343,107	\$ 34,533,958	\$ 37,877,065	\$ 18,694,560	\$ 4,775,219	\$ (1,243,657)	\$ 15,162,998	\$ 13,919,341	
Reserves to State General Fund	15,000,000	\$ -	\$ 15,000,000	\$ -	\$ 15,000,000	\$ 15,000,000	\$ 1,000,000	\$ 8,000,000	\$ 6,000,000	\$ 14,000,000	
<b>Total Expense/Transfer</b>	\$ 1,047,449,445	\$ 94,828,000	\$ 735,874,100	\$ 216,747,345	\$ 952,621,445	\$ 543,993,359	\$ 53,327,568	\$ 375,866,504	\$ 114,799,287	\$ 490,665,791	
<b>Net Gain (Loss)</b>	\$ (13,969,100)	\$ -	\$ (13,969,100)	\$ -	\$ (13,969,100)	\$ (15,793,490)	\$ (2,557,440)	\$ (22,823,816)	\$ 9,587,766	\$ (13,236,050)	

<sup>(1)</sup> State Appropriation - HB 5018 \$233,011,263  
Accrual \$2,530,324  
Adjusted Appropriation \$235,541,587

**University of Connecticut (Storrs & Regionals)**  
**Statement of Actual (FY 2010) and Estimated (FY 2011) Net Assets**

*Agrees To June 30, 2010 Audited Financial Statements*

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<i>Net Assets</i>					
Restricted	\$ 14,871,089	\$ 877,317	\$ 15,748,406	1,265,771,793	\$ 1,281,520,199
Unrestricted	49,808,995	21,692,207	71,501,202	91,305,800	162,807,002
<b>Total Net Assets, 6/30/10</b>	<b>\$ 64,680,084</b>	<b>\$ 22,569,524</b>	<b>\$ 87,249,608</b>	<b>\$ 1,357,077,593</b>	<b>\$ 1,444,327,201</b>

**Unrestricted Revenues & Expenditures/Debt Service FY 2011**

**Estimated Annual Changes in Unrestricted Net Assets**

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>		<u>Total</u>
				<u>Internally Designated for Retirement of Indebtedness</u>	<u>Unexpended Plant Funds</u>	
Revenues	\$ 874,349,897	\$ 21,810,000	\$ 896,159,897	\$ 10,000	\$ -	\$ 896,169,897
Transfers In	-	-	-	20,550,651 <sup>A</sup>	42,377,064 <sup>A</sup>	62,927,715
Subtotal	\$ 874,349,897	\$ 21,810,000	\$ 896,159,897	\$ 20,560,651	\$ 42,377,064	\$ 959,097,612
Expenditures/Debt Service	\$ 814,891,282	\$ 17,310,000	\$ 832,201,282	20,560,651	\$ 35,000,000	\$ 887,761,933
Transfers Out	58,427,715	4,500,000	62,927,715	-	-	62,927,715
Transfer to State General Fund	15,000,000	-	15,000,000	-	-	15,000,000
Subtotal	\$ 888,318,997	\$ 21,810,000	\$ 910,128,997	\$ 20,560,651	\$ 35,000,000	\$ 965,689,648
<b>Net Increase (Decrease)</b>	<b>\$ (13,969,100)</b>	<b>\$ -</b>	<b>\$ (13,969,100)</b>	<b>\$ -</b>	<b>\$ 7,377,064<sup>B</sup></b>	<b>\$ (6,592,036)</b>

**Unrestricted Net Assets**

Non-spendable	\$ 6,647,916	\$ -	\$ 6,647,916	\$ -	\$ 83,546	\$ 6,731,462
Committed	-	-	-	-	44,716,104	\$ 44,716,104
Assigned	43,161,079	21,692,207	64,853,286	35,015,416	11,490,734	111,359,436
<b>Unrestricted Net Assets 6/30/10</b>	<b>49,808,995</b>	<b>21,692,207</b>	<b>71,501,202<sup>C</sup></b>	<b>35,015,416</b>	<b>56,290,384</b>	<b>162,807,002</b>
Projected Operating Change-Assigned	(13,969,100)	-	(13,969,100)	-	-	(13,969,100)
Projected Non-Operating Change-Committed	-	-	-	-	7,377,064 <sup>B</sup>	7,377,064
<b>Estimated Unrestricted Assets 6/30/11</b>	<b>\$ 35,839,895</b>	<b>\$ 21,692,207</b>	<b>\$ 57,532,102<sup>C</sup></b>	<b>\$ 35,015,416</b>	<b>\$ 63,667,448</b>	<b>\$ 156,214,966</b>

<sup>A</sup> Represents transfers from operating and research funds for debt service and capital projects.

<sup>B</sup> Primarily represents transfers for auxiliary projects which are funded from revenue generated from room and board (not state appropriation or tuition). The University has a policy that a departmentally funded construction project does not begin unless the funding has been identified and transferred to plant funds. For Residential Life projects, the window of opportunity to actually complete many repairs and renovations is limited as many projects cannot be done while students are occupying the buildings. Board action is anticipated before year-end.

<sup>C</sup> Board of Trustees reserve policy is 90 days of current fund expenditures. The 6/30/10 balance represents approximately 28 days and the estimated 6/30/11 balance represents approximately 23 days.

**Note regarding Assigned Unrestricted Net Assets:**

-Under provisions of the UCONN 2000 indentures, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition.

-The Research Fund is primarily generated by grant overhead (IDC) and the funds are designated to the Research Foundation, schools/colleges/departments and individual principal investigators.

-The University has traditionally been very conservative with regard to savings for debt obligations, maintaining funds at a level of approximately 1.75 times our annual debt payments.

-Departmental generated funds come from self-supporting fee based instructional programs (not tuition).

-Unexpended plant funds includes cash resources for capital projects approved by the B&G Committee or the Board of Trustees as well as funds set aside to address on-going code related corrective action.