

University of Connecticut (Storrs & Regional Campuses) – FY14

Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2013

Summary

On August 7, 2013, the Board of Trustees approved a Revised Spending Plan for Fiscal Year 2014 which included \$1,095.8 million of revenue to cover \$1,126.7 million in expenses and transfers. It was expected that \$30.9 million of prior years' accumulation of funds will be used to balance the Fiscal Year 2014 budget. Based on the results of operations from the first six months, the University now plans on utilizing \$30.2 million of prior year funds to balance the budget.

Financial results for the first six months of Fiscal Year 2014 reflected a number of different factors when compared to budget. Actual revenue totaled \$574.3 million or 52.4% of the budget. At the close of December, the University expenditures and transfers totaled \$561.9 million or 49.9% of the budget.

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

A more detailed review of the first six months of Fiscal Year 2014 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2014 were \$522.5 million which represented 52.0% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 49.5% of the annual budget. A major source of revenue, **State Support**, was \$169.4 million (\$122.6 million appropriation and \$46.8 million fringe benefits) and represented 32.4% of total Operating Fund receipts for the first six months. State support is expected to be under budget due to lower than expected State fringe benefit support.

Tuition collections were the second largest source of revenue, totaling \$151.0 million, which represented 28.9% of total Operating Fund receipts. Tuition receipts were 52.3% of the annual amount budgeted (\$288.6 million). Tuition revenue collections reflect a 6.25% rate increase coupled with a 1.4% increase in the number of undergraduate degree-seeking students who account for approximately 87.2% of budgeted tuition revenues. Overall enrollment is 0.1% greater than budgeted and tuition revenue is projected to be slightly more than budget.

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 \$52.5 million or 48.8% of the amount budgeted. Fee Collections are forecasted to be less than budget at year-end because of lower enrollment in certain fee-based programs.

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Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2014 was \$101.6 million which represented 51.8% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 3.0% and Athletics revenues. At year-end, this category will be greater than budget due to slightly higher enrollment and full occupancy rates in student housing.

Gifts, Grants and Contracts revenue consists of restricted revenues from a federal, state or private granting agency or private donor and gifts transferred from the UConn Foundation. For the first six months of Fiscal Year 2014, Gifts, Grants and Contracts revenue of \$36.7 million, which included \$3.9 million from the UConn Foundation, was 44.9% of the annual budget. It is forecasted that this category will be greater than budget at year-end primarily due to additional federal financial aid grants.

Investment Income for the first two quarters of Fiscal Year 2014 was \$0.3 million. Interest rates continue to be low with the rate for December 2013 at 0.15% compared to 0.18% in December 2012. Investment income for the year is projected to be slightly more than 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 \$11.0 million for the first two quarters and is forecasted to be slightly greater than budget at year-end.

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 \$51.8 million and represented 57.3% of the amount budgeted. In Fiscal Year 2013, Research Fund revenues reported in the first six months totaled \$46.7 million and represented 49.4% of the amount budgeted. Due to the variability of research activity, quarterly comparisons are not necessarily indicative of annual results. Research Fund revenues are expected to be on budget at year-end.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first six months of Fiscal Year 2014 were \$507.6 million or 50.0% of the annual budgeted amount. The spending pattern for the first two quarters of Fiscal Year 2013 reflected expenditures of 50.8% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	49.7%
Fringe Benefits	50.3%
Other Expenses	52.5%
Equipment	30.6%
Student Aid	49.1%

Personal Services/Fringe Benefits represented 49.9% of the annual budgeted amount of \$665.8 million. The official full-time faculty count is 108 more than the prior year (based on IPEDS federal reporting standards). At year-end, fringe benefit expenditures will be greater than budget based on current employee healthcare and retirement elections.

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Other Expenses (including energy costs) were \$105.4 million for the first six months and represented 52.5% of the amount budgeted. This category is forecasted to be slightly higher than budget at year-end.

Equipment expenditures of \$5.8 million were 30.6% of the amount budgeted. This category will be under budget at year-end due to decreased spending in both academic and auxiliary areas.

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 \$64.3 million and represented 49.1% of the amount budgeted. Student Aid will be slightly under budget at year-end.

Expenditures - Operating Fund Transfers

Net **Transfers** for the first two quarters were \$0.9 million due to the transfer of a large amount of funds into the Operating Fund. Transfers are expected to be under budget at year-end due to less construction projects than anticipated.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$53.4 million and represented 58.3% of the budgeted amount. In Fiscal Year 2013, Research Fund expenditures and transfers reported in the first six months totaled \$47.4 million and represented 49.6% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. Similar to the Research Fund revenues, while the six month expenditures are higher than anticipated at this point, Research Fund expenditures are expected to be on budget at year-end.

Enrollment

Total University headcount enrollment for fall 2013 (excluding the Health Center) is up by 204 students or 0.7% from fall 2012. Undergraduate headcount enrollment (degree and non-degree) is up by 294 students or 1.3%.

Fund Balance

The University expected to utilize \$30.9 million of prior year funds to balance the budget for the year ending June 30, 2014. This use of funds would have resulted in a Current Funds Unrestricted Fund Balance of \$71.5 million (Operating Fund-\$51.7 million; Research Fund-\$19.8 million). This fund balance represented 7.2% of the current year's unrestricted expenditure budget (\$990.3M). At the end of the first six months, the University now plans to use only \$30.2 million of prior year funds to balance the budget. 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.

University of Connecticut
Storrs & Regional Campuses
Statement of Operating Budget Revenues and Expenses
For the Months Ending
12/31/2013

	Operating Budget					Actual					
	Total	Research Fund	Operating Fund			Total	Research Fund	Operating Fund			
			E&G	Aux Ent	Subtotal			E&G	Aux Ent	Subtotal	
Revenues											
State Appropriations ⁽¹⁾	\$ 205,633,975	\$ -	\$ 205,633,975	\$ -	\$ 205,633,975	\$ 122,614,752	\$ -	\$ 122,614,752	\$ -	\$ 122,614,752	
State Allotment Fringe Benefits	100,994,795	-	100,994,795	-	100,994,795	46,805,658	-	46,805,658	-	46,805,658	
Total State Support	306,628,770	-	306,628,770	-	306,628,770	169,420,410	-	169,420,410	-	169,420,410	
Tuition	288,553,779	-	283,998,069	4,555,710	288,553,779	151,037,114	-	146,481,404	4,555,710	151,037,114	
Fees	107,625,543	-	73,513,202	34,112,341	107,625,543	52,468,662	-	18,356,321	34,112,341	52,468,662	
Grants & Contracts	153,304,741	90,416,600	61,840,226	1,047,915	62,888,141	84,415,341	51,648,054	32,169,456	597,831	32,767,287	
Foundation	18,840,514	50,000	10,194,791	8,595,723	18,790,514	4,066,528	140,971	3,686,201	239,356	3,925,557	
Investment Income	570,400	-	522,264	48,136	570,400	357,054	-	319,888	37,166	357,054	
Sales and Services of Ed Activities	16,656,047	-	16,656,047	-	16,656,047	6,199,440	9,133	6,190,307	-	6,190,307	
Auxiliary Enterprise	195,920,316	-	-	195,920,316	195,920,316	101,580,328	-	(395,129)	101,975,457	101,580,328	
All Other Sources	7,675,133	28,500	7,646,633	-	7,646,633	4,793,807	35,647	4,758,160	-	4,758,160	
Total Revenues	\$ 1,095,775,243	\$ 90,495,100	\$ 761,000,002	\$ 244,280,141	\$ 1,005,280,143	\$ 574,338,684	\$ 51,833,805	\$ 380,987,018	\$ 141,517,861	\$ 522,504,879	
Expenses											
Personal Services	\$ 502,114,275	\$ 39,353,031	\$ 398,005,569	\$ 64,755,675	\$ 462,761,244	\$ 251,532,440	\$ 21,254,770	\$ 198,529,860	\$ 31,747,810	\$ 230,277,670	
Fringe Benefits	213,306,255	10,282,307	174,935,395	28,088,553	203,023,948	107,965,772	5,691,257	88,199,551	14,074,964	102,274,515	
Other Expenses	227,503,429	26,876,792	109,032,358	91,594,279	200,626,637	119,960,261	15,000,988	57,674,614	47,284,659	104,959,273	
Equipment	24,086,289	5,096,000	16,348,527	2,641,762	18,990,289	7,241,555	1,434,202	5,294,559	512,794	5,807,353	
Fixed Charges/Student Aid	135,558,984	4,800,000	117,981,087	12,777,897	130,758,984	67,189,361	2,931,744	58,063,938	6,193,679	64,257,617	
Total Expenses	\$ 1,102,569,232	\$ 86,408,130	\$ 816,302,936	\$ 199,858,166	\$ 1,016,161,102	\$ 553,889,389	\$ 46,312,961	\$ 407,762,522	\$ 99,813,906	\$ 507,576,428	
Transfers											
Non Mandatory	24,145,155	\$ 5,140,394	\$ (25,417,214)	\$ 44,421,975	\$ 19,004,761	\$ 8,020,616	\$ 7,099,267	\$ (10,701,593)	\$ 11,622,942	\$ 921,349	
Total Expense/Transfer	\$ 1,126,714,387	\$ 91,548,524	\$ 790,885,722	\$ 244,280,141	\$ 1,035,165,863	\$ 561,910,005	\$ 53,412,228	\$ 397,060,929	\$ 111,436,848	\$ 508,497,777	
Net Gain (Loss)	\$ (30,939,144)	\$ (1,053,424)	\$ (29,885,720)	\$ -	\$ (29,885,720)	\$ 12,428,679	\$ (1,578,423)	\$ (16,073,911)	\$ 30,081,013	\$ 14,007,102	
Use of Reserves	30,939,144										
Net Gain (Loss)	\$ -										

⁽¹⁾ State Appropriation \$202,096,916
Accrual 3,537,059
Adjusted Appropriation \$205,633,975

**University of Connecticut
Storrs & Regional Campuses
FY 2014 Estimated Annual Changes in Unrestricted Net Assets**

	Operating Fund	Research Fund	Subtotal	Other Funds	Total
Net Assets, 6/30/13					
Restricted	\$17,829,783	\$2,770,988	\$20,600,771	\$1,277,233,899	\$1,297,834,670
Unrestricted	51,707,945	20,869,154	72,577,099	81,640,983	154,218,082
Total Net Assets, 6/30/13	\$69,537,728	\$23,640,142	\$93,177,870	\$1,358,874,882	\$1,452,052,752

Revenues & Expenditures/Debt Service FY14

	Operating Fund	Research Fund	Subtotal	Other Funds		Total
				Internally Designated for Retirement of Indebtedness	Unexpended Plant Funds	
Revenues	\$ 1,005,280,143	\$ 90,495,100	\$ 1,095,775,243	\$ 2,000	\$ -	\$ 1,095,777,243
Transfers In	35,275,329	1,249,215	36,524,544	18,728,040	5,417,115 ^A	60,669,699
Subtotal	\$ 1,040,555,472	\$ 91,744,315	\$ 1,132,299,787	\$ 18,730,040	\$ 5,417,115	\$ 1,156,446,942
Expenditures/Debt Service	\$ 1,016,161,102	\$ 86,408,130	\$ 1,102,569,232	18,728,040	\$ 18,490,733	\$ 1,139,788,005
Transfers Out	24,394,370	6,389,609	30,783,979	-	29,885,720	60,669,699
Subtotal	\$ 1,040,555,472	\$ 92,797,739	\$ 1,133,353,211	\$ 18,728,040	\$ 48,376,453	\$ 1,200,457,704
Unrestricted Net Increase (Decrease)	\$ -	\$ (1,053,424)	\$ (1,053,424)	\$ 2,000	\$ (42,959,338)	\$ (44,010,762)

Unrestricted Net Assets, 6/30/13

Non-spendable	\$ 7,055,379	-	\$ 7,055,379	-	\$ 82,652	\$ 7,138,031
Committed	-	-	-	-	25,947,838	25,947,838
Assigned	44,652,566	20,869,154	65,521,720	27,374,305	28,236,189	121,132,214
Unrestricted Net Assets, 6/30/13	\$ 51,707,945	\$ 20,869,154	\$ 72,577,099	\$ 27,374,305	\$ 54,266,679	\$ 154,218,083
Projected Operating Change	-	(1,053,424)	(1,053,424)	2,000	(42,959,338)	(44,010,762)
Projected Non-Operating Change	-	-	-	-	-	-
Estimated Unrestricted Assets 6/30/14	\$ 51,707,945	\$ 19,815,730	\$ 71,523,675 ^B	\$ 27,376,305	\$ 11,307,341	\$ 110,207,321

^A Primarily represents transfers for auxiliary projects which are funded from revenue generated from room and board. 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 and Dining Services 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.

^B Board of Trustees reserve policy is 90 days of current fund expenditures. The current balance represents approximately 27 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 assets 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.

~Internally designated for retirement of indebtedness represents approximately 1.46 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 Board of Trustees as well as funds set aside to address on-going code related corrective action.