

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Nine Months Ended March 31, 2008

Summary

On August 1, 2007, the Board of Trustees approved a Spending Plan for Fiscal Year 2008 of \$903.3 million. This budget included \$901.0 million of revenue to cover \$903.3 million in expenses, yielding a \$2.3 million net loss. This net loss was comprised of a \$1.0 million gain representing the reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union and a \$3.3 million loss from unspent Fiscal Year 07 State appropriation funds for the Center for Entrepreneurship (\$1.3 million) and the Eminent Faculty (\$2.0 million) programs.

Financial results for the first nine months of Fiscal Year 2008 reflect a number of different factors when compared to budget. Overall, revenue was ahead of budget and totaled \$763.0 million or 84.7% of the budget. At this point last fiscal year, revenues were 83.6% of budget. At the close of March, the University expenditures and transfers totaled \$667.1 million or 73.9% of the budget. At this point last fiscal year, expenditures and transfers were 73.5% of budget. For the fiscal year-end, a net gain of \$1.8 million is currently projected. The net gain is primarily due, but not limited, to the following items. 1) Energy expenditures are projected to be under budget by \$2.0 million. 2) The \$2.0 million from the Eminent Faculty program, which was carried forward from Fiscal Year 2007 will not all be spent prior to the end of the fiscal year. 3) Financial Aid is expected to be on budget, however, the University has received additional state/federal funding in the amount of \$1.8 million. This will allow the University to reduce the amount of tuition funds budgeted for financial aid. 4) Interest rates continue to fall and this revenue category is expected to be under budget by \$1.0 million.

The net gain for the Operating and Research Funds at March 31, 2008 is not indicative of expected annual results, as more 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 nine months of Fiscal Year 2008 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first nine months of Fiscal Year 2008 were \$707.7 million which represented 85.1% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 84.8% of the annual budget. A major source of revenue, **State Support**, consisted of a \$178.8 million appropriation and a fringe benefit allotment of \$67.1 million. State Support represented 34.8% of total Operating Fund receipts for the first nine months.

Another major source of revenue, **Tuition** collections, was \$190.4 million, which represented 26.9% of total Operating Fund receipts. Tuition receipts were 99.7% of the annual amount budgeted (\$191.1 million). Tuition revenue collections reflect a 5.6% rate increase coupled with a 0.8% increase in the number of undergraduate degree-seeking students who account for approximately 87% of budgeted tuition revenues. Tuition income is projected to be

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slightly under budget (\$0.6 million) at the end of the fiscal year as actual enrollment is less 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 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 \$69.8 million or 92.8% of the amount budgeted. Fee revenue is expected to be over budget by \$1.8 million in Fiscal Year 2008.

Auxiliary Enterprise Revenue for the first nine months of Fiscal Year 2008 was \$120.5 million which represented 86.7% of the annual budgeted amount and was behind projections. Auxiliary revenue consisted primarily of Room and Board Fees (\$98.5 million) and Athletic Department receipts (\$18.9 million).

The remaining revenue categories are (1) Grants and Contracts (non-research), (2) Investment Income, (3) Sales and Services of Educational Activities, and (4) Other Sources (primarily parking, transit fee, and rental income).

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 2008, Gifts, Grants and Contracts revenue of \$53.2 million, which included \$10.6 million from the UConn Foundation, was 81.6% of the annual budget. This category is projected to be ahead of budget at the end of the fiscal year. Included in this category is additional state/federal funding for financial aid.

Investment Income for the first three quarters of Fiscal Year 2008 was \$8.3 million. Interest rates continue to fall with the rate for March 2008 at 3.02% compared to 5.38% in March 2007. Investment income for the year is projected to be below budget by \$1.0 million. 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 revenue totaled \$19.5 million for the first nine months or \$1.5 million more than budgeted due in large part to timing of receipts. The end-of-year projection is \$24.9 million or a positive variance of \$0.3 million.

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 \$55.3 million and represented 79.9% of the amount budgeted. In Fiscal Year 2007, Research Fund revenues reported in the first nine months totaled \$49.3 million and represented 70.4% of the amount budgeted. The Research Fund budget in Fiscal Year 2007 was \$70.0 million and the budget for Fiscal Year 2008 is only \$69.3 million. Based on the first nine months, the Research Fund revenues are expected to exceed the budget.

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Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first nine months of Fiscal Year 2008 were \$599.4 million or 75.3% of the annual budgeted amount. The spending pattern of the first three quarters of the last fiscal year reflected expenditures of 74.7% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	75.4%
Fringe Benefits	75.3%
Other Expenses/Energy	67.1%
Equipment	72.4%
Student Aid	94.1%

Personal Services/Fringe Benefits were \$386.8 for the first three quarters. The Fiscal Year 2008 Operating Fund budget for personal services and fringe benefits is \$513.1 million and the year-end projection is on target. The University was able to identify resources, including an additional \$1.0 million from the State, to fund a net increase of 30 full-time faculty (based on 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. The student-to-faculty ratio has decreased from 17.3:1 last fall to 17.0:1 this fall. The personal service and fringe benefit expenditures will continue to be monitored closely throughout the year as they represent 63.0% of the Operating Fund expenditure budget.

Other Expenses and Energy expenditures were \$128.8 million for the first nine months and represented 67.1% of the amount budgeted. Energy expenditures are projected to be less than budget by \$2.0 million primarily due to the negotiation of a favorable gas contract plus benefits from the reverse energy auction. Overall, Other Expenses and Energy expenditures are projected to be less than budget at the end of the fiscal year.

Equipment expenditures of \$7.6 million were 72.4% of the amount budgeted and represented 1.2% of the operating expenditures. Expenditures for the first nine months were slightly less than anticipated but are expected to be close to budget for the year. During the fall semester, the Provost invited proposals for research equipment that would significantly enhance the research capabilities of the University and enhance the Academic Plan. Of the 31 proposals received, six outstanding proposals were selected. Awards totaling \$2.0 million were given for major equipment purchases. Actual expenditures will depend on whether this equipment is purchased prior to the end of the fiscal year.

Student Aid funds are predominantly spent in the first and third quarter of the fiscal year. For the first nine months, Student Aid expenditures were \$76.2 million and represented 94.1% of the amount budgeted. This category is expected to be on target for the year. However, the University has received additional state/federal funding in the amount of \$1.8 million. This will allow the University to reduce the amount of tuition funds budgeted for financial aid. The tuition funded need-based financial aid as a percent of net tuition revenue is projected to be 16.6%.

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Expenditures - Operating Fund Transfers

The **Transfers** line reflects bond and installment loan payments as well as payments for the capital lease for the cogeneration plant.

Expenditures - Research Fund

Research Fund expenditures and transfers totaled \$53.5 million and represented 77.3% of the budgeted amount. In Fiscal Year 2007, Research Fund expenditures and transfers reported in the first nine months totaled \$50.7 million and represented 72.3% of the budgeted amount. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. Based on the first nine months, the Research Fund expenditures are expected to be more than budget for the year and will track with the additional Research Fund revenues.

Enrollment

Total University enrollment for fall 2007 (excluding the Health Center) is up 0.7% from fall 2006. First semester freshmen enrollment is down 1.3% from fall 2006; however, total undergraduate enrollment (degree and non-degree) is up 0.3%. The current year budget was based on a projected 1.4% increase in total University enrollment and a projected 1.9% increase in undergraduate enrollment. As a result, Tuition revenue is projected to be slightly under budget due to the lower than expected enrollment.

Cash Balance

The March 31, 2008 current funds cash balance was \$165.3 million, \$27.7 million more than March 2007 which was \$137.6 million. The current funds cash balance reflected the collection of 84.7% of budgeted revenue while total expenditures and transfers were 73.9% of budget. The cash balance is expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the March 31, 2008 cash balance represented 18.3% of the annual expenditure budget as compared to 16.1% one-year ago.

Fund Balance

The University's budget is currently projected to have a net gain of \$1.8 million for the fiscal year ended June 30, 2008, which results in a Current Funds Unrestricted Fund Balance of \$56.0 million (Operating Fund-\$36.8 million; Research Fund-\$19.2 million). The net gain is primarily a result of energy expenditures, which are projected to be under budget by \$2.0 million, and the Eminent Faculty program, which is unlikely to expend the \$2.0 million carried forward from Fiscal Year 2007. Also, investment income is projected to be less than budget due to declining interest rates and financial aid is expected to be on budget but will utilize less tuition dollars due to additional state/federal funds. The projected fund balance represents 7.0% of the current year's original unrestricted expenditure budget. Also, in accordance with standard University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditure in the current and future fiscal years. The Fiscal Year 2008 budget assumes a consistent level of departmental fund balances at June 30, 2008. Any variance from this assumption will affect the projected fund balance level at year-end.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses (a)
For the Months Ending 03/31/08

	Operating Budget					Actual as of 3/31/08							
	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	\$ 234,466,774	\$ -	\$ 234,466,774	\$ -	\$ 234,466,774	\$ 178,448,399			\$ 178,448,399		\$ 178,448,399	76.1%	25.2%
State Allotment Fringe Benefits	90,266,949	-	90,266,949	-	90,266,949	66,924,200	-		66,924,200	-	66,924,200	74.1%	9.5%
Subtotal State Support	324,733,723	-	324,733,723	-	324,733,723	245,372,599	-		245,372,599	-	245,372,599	75.6%	34.7%
FY07 Carryforward-PS	400,000	-	400,000	-	400,000	400,000	-		400,000	-	400,000	100.0%	0.1%
FY07 Carryforward-FB	158,120	-	158,120	-	158,120	158,120	-		158,120	-	158,120	100.0%	0.0%
Total State Support	325,291,843	-	325,291,843	-	325,291,843	245,930,719	-		245,930,719	-	245,930,719	75.6%	34.8%
Tuition	191,061,385	-	186,805,353	4,256,032	191,061,385	190,411,403	-		186,358,713	4,052,690	190,411,403	99.7%	26.9%
Fees	75,211,131	-	52,031,358	23,179,773	75,211,131	69,762,262	-		46,582,489	23,179,773	69,762,262	92.8%	9.9%
Grants & Contracts	112,765,119	69,039,350	43,219,769	506,000	43,725,769	97,810,510	55,171,103	69.6%	42,319,327	320,080	42,639,407	97.5%	6.0%
Foundation	21,653,092	100,000	9,700,000	11,853,092	21,553,092	10,633,306	52,329	52.3%	5,313,478	5,267,499	10,580,977	49.1%	1.5%
Investment Income	11,143,000	-	11,143,000	-	11,143,000	8,308,947	-		8,214,609	94,338	8,308,947	74.6%	1.2%
Sales and Services of Ed Activities	14,952,000	50,000	14,902,000	-	14,902,000	11,166,311	32,466	64.9%	11,133,845	-	11,133,845	74.7%	1.6%
Auxiliary Enterprise	139,063,998	-	-	139,063,998	139,063,998	120,511,563	-		-	120,511,563	120,511,563	86.7%	17.0%
All Other Sources	9,879,177	80,000	9,799,177	-	9,799,177	8,485,016	70,228	87.8%	8,409,688	5,100	8,414,788	85.9%	1.2%
TOTAL REVENUE	\$ 901,020,745	\$ 69,269,350	\$ 652,892,500	\$ 178,858,895	\$ 831,751,395	\$ 763,020,037	\$ 55,326,126	79.9%	\$ 554,262,868	\$ 153,431,043	\$ 707,693,911	85.1%	100.0%
Expenses													
Personal Services	\$ 415,303,489	\$ 35,061,546	\$ 330,907,397	\$ 49,334,547	\$ 380,241,944	\$ 312,500,294	\$ 25,776,256	73.5%	\$ 250,115,389	\$ 36,608,649	\$ 286,724,038	75.4%	46.7%
Fringe Benefits	140,903,575	8,064,155	114,592,395	18,247,024	132,839,420	106,656,248	6,570,613	81.5%	86,996,835	13,088,800	100,085,635	75.3%	16.3%
Other Expenses	213,455,509	21,539,528	117,933,567	73,982,414	191,915,981	144,705,229	15,893,578	73.8%	70,735,623	58,076,028	128,811,651	67.1%	21.0%
Equipment	14,004,121	3,504,121	6,885,276	3,614,724	10,500,000	10,287,646	2,690,346	76.8%	6,236,499	1,360,801	7,597,300	72.4%	1.2%
Fixed Charges/Student Aid	82,080,586	1,100,000	71,750,586	9,230,000	80,980,586	76,781,726	598,064	54.4%	67,420,020	8,763,642	76,183,662	94.1%	12.4%
Total Expenditures	\$ 865,747,280	\$ 69,269,350	\$ 642,069,221	\$ 154,408,709	\$ 796,477,931	\$ 650,931,143	\$ 51,528,857		\$ 481,504,366	\$ 117,897,920	\$ 599,402,286	75.3%	97.7%
Debt Service	\$ 21,935,492	\$ -	\$ 8,898,938	\$ 13,036,554	\$ 21,935,492	\$ 12,943,362	\$ -		\$ 6,041,382	\$ 6,901,980	\$ 12,943,362	59.0%	13.8%
Non Mandatory	15,613,632	-	4,200,000	11,413,632	15,613,632	3,226,434	2,004,364		(5,372,879)	6,594,948	1,222,070	7.8%	1.3%
Total Expense/Transfer	\$ 903,296,404	\$ 69,269,350	\$ 655,168,159	\$ 178,858,895	\$ 834,027,055	\$ 667,100,938	\$ 53,533,221	77.3%	\$ 482,172,869	\$ 131,394,848	\$ 613,567,717	73.6%	100.0%
Net Gain (Loss)	\$ (2,275,659)	\$ -	\$ (2,275,659)	\$ (0)	\$ (2,275,660)	\$ 95,919,099	\$ 1,792,905		\$ 72,089,999	\$ 22,036,195	\$ 94,126,194		
NET INC(DEC) CASH BALANCE													
									\$53,429,912				
CASH BALANCE 6/30/07									\$111,827,723				
CASH BALANCE 03/31/08									\$165,257,635				

(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 Budgeted Changes in Net Assets - All Funds
For the Year Ended June 30, 2008

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<u>Revenues and Expenditures, 6/30/2008</u>					
Revenue	\$ 831,751,395	\$ 69,269,350	\$ 901,020,745	\$ 187,653,126	\$ 1,088,673,871
Expenditures and Transfers	834,027,055	69,269,350	903,296,405	172,025,183	1,075,321,588
Net Increase (Decrease)	<u>\$ (2,275,660)</u>	<u>\$ -</u>	<u>\$ (2,275,660)</u>	<u>\$ 15,627,943</u>	<u>\$ 13,352,284</u>
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Net Assets, 6/30/07 (Unaudited)					
Restricted and invested in capital net of related debt	\$ 11,693,671	\$ 952,554	\$ 12,646,226	\$ 1,283,156,085	\$ 1,295,802,311
Unrestricted	34,947,149	19,234,255	54,181,404	67,665,843	121,847,247
Total, 6/30/07	<u>\$ 46,640,820</u>	<u>\$ 20,186,809</u>	<u>\$ 66,827,629</u>	<u>\$ 1,350,821,929</u>	<u>\$ 1,417,649,558</u>
Compensated Absences Liability, 6/30/07	\$ 24,274,100				
Change at 6/30/08					
Restricted and invested in capital net of related debt	\$ -	\$ -	\$ -	\$ 10,939,560	\$ 10,939,560
Unrestricted	(2,275,660)	-	(2,275,660)	4,688,383	2,412,723
Subtotal, 6/30/08	<u>\$ (2,275,660)</u>	<u>\$ -</u>	<u>\$ (2,275,660)</u>	<u>\$ 15,627,943</u>	<u>\$ 13,352,284</u>
Net Assets, 6/30/08					
Restricted and invested in capital net of related debt	\$ 11,693,671	\$ 952,554	\$ 12,646,226	\$ 1,294,095,645	\$ 1,306,741,871
Unrestricted	32,671,489	19,234,255	51,905,744	72,354,226	124,259,970
Total, 6/30/08	<u>\$ 44,365,160</u>	<u>\$ 20,186,809</u>	<u>\$ 64,551,970</u>	<u>\$ 1,366,449,872</u>	<u>\$ 1,431,001,842</u>
Compensated Absences Liability, 6/30/08	\$ 24,078,862				