

University of Connecticut (Storrs & Regional Campuses) – FY12

Quarterly Overview of the Operating and Research Funds For the Nine Months Ended March 31, 2012

Summary

On September 28, 2011, the Board of Trustees approved a Spending Plan for Fiscal Year 2012 which includes \$1,028.6 million of revenue to cover \$1,033.2 million in expenses and transfers. The budgeted net loss of \$4.6 million has two components; \$2.0 million of the loss is due to the University's plan to partially fund an over commitment in financial aid from prior year fund balances, and \$2.6 million is attributable to the Research Fund.

Financial results for the first nine months of Fiscal Year 2012 reflected a number of different factors when compared to budget. Actual revenue totaled \$869.9 million or 84.6% of the budget. At the close of March, the University expenditures and transfers totaled \$777.2 million or 75.2% 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 and second quarters of the fiscal year while expenditures are more evenly distributed throughout the year. This year, there is a higher level of revenues primarily due to additional tuition revenue and a lower level of expenditures in personal services/fringe benefits and energy expenses. While the approved budget reflected a net loss, the current year-end forecast is a balanced budget.

A more detailed review of the first nine months of Fiscal Year 2012 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first nine months of Fiscal Year 2012 were \$802.8 million which represented 86.3% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 87.9% of the annual budget. A major source of revenue, **State Support**, consisted of a \$149.5 million appropriation and a fringe benefit allotment of \$62.1 million. State Support represented 26.4% of total Operating Fund receipts for the first nine months. On January 23, 2012, the Governor issued a directive which reduced the Fiscal Year 2012 State appropriation allotment by \$2.1 million or 1%; associated fringe benefit support was also reduced by \$0.9 million for a total of \$3.0 million. This category will be less than budget at year-end due to this rescission.

Tuition collections were the largest source of revenue, totaling \$259.9 million, which represented 32.4% of total Operating Fund receipts. Tuition receipts were 101.5% of the annual amount budgeted (\$256.1 million). Tuition revenue collections reflect a 2.4% rate increase coupled with a 2.9% increase in the number of undergraduate degree-seeking students who account for approximately 86.5% of budgeted tuition revenues. Overall enrollment is 1.2% higher than budgeted. Tuition revenue is projected to be greater 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,

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Application Fees and Late Payment Fees. The first nine months Fee collections were slightly less than anticipated at \$85.2 million or 87.3% of the amount budgeted. However, this category is expected to be on budget at year end.

Auxiliary Enterprise Revenue for the first nine months of Fiscal Year 2012 was \$165.9 million which represented 90.4% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 2.5% (\$136.8 million) and Athletic Department receipts (\$20.0 million). At year end, this category is projected to be slightly greater than budget due to a greater amount of students housed and more meal plans than anticipated.

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 three quarters of Fiscal Year 2012, Gifts, Grants and Contracts revenue of \$62.6 million, which included \$7.3 million from the UConn Foundation, was 72.4% of the annual budget. This category was under budget for the quarter but is expected to be over budget at year end primarily due to additional federal and state funds and more Foundation funds than budgeted.

Investment Income for the first three quarters of Fiscal Year 2012 was \$0.7 million. Interest rates continue to be low with the rate for March 2012 at 0.12% compared to 0.22% in March 2011. Investment income for the year is projected to be slightly more 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 revenue totaled \$16.8 million and were less than budget for the quarter but expected to be slightly over budget for the year due to greater activity in educational activities such as Study Abroad.

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 \$67.1 million and represented 68.4% of the amount budgeted. In Fiscal Year 2011, Research Fund revenues reported in the first nine months totaled \$70.2 million and represented 74.0% of the amount budgeted. This category is projected to be less than budget at year-end due to less research activity.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first nine months of Fiscal Year 2012 were \$696.5 million or 77.0% of the annual budgeted amount. The spending pattern for the first three quarters of Fiscal Year 2011 reflected expenditures of 79.8% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	74.5%
Fringe Benefits	72.3%
Other Expenses	75.6%
Equipment	66.9%
Student Aid	95.3%

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Personal Services/Fringe Benefits represented 73.9% of the annual budgeted amount of \$572.7 million. The personal services expenditures were less than budget for the first three quarters. While the UCPEA and Classified employees received unbudgeted wage increases for the first four pay periods, the total number of staff is less than expected. The official full-time faculty count (based on IPEDS federal reporting standards) is 26 more than the prior year. Due to 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 \$145.7 million for the first nine months and represented 75.6% of the amount budgeted. Energy expenditures are projected to be below budget for the year due to favorable gas prices and a mild winter. Therefore, this category is projected to be less than budget at year-end.

Equipment expenditures of \$11.2 million were 66.9 % of the amount budgeted. This category was less than expected for the first nine months but expenditures are expected to be on budget at year end.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first three quarters, Student Aid expenditures were \$116.4 million and represented 95.3% of the amount budgeted. This category is expected to be slightly over budget at year-end due to more funds expended for work-study.

Expenditures - Operating Fund Transfers

Net Transfers for the first three quarters were only \$10.9 million 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 greater than budgeted at year-end as transfers-in from other Funds will be less than budgeted.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$69.8 million and represented 69.4% of the budgeted amount. In Fiscal Year 2011, Research Fund expenditures and transfers reported in the first nine months totaled \$75.1 million and represented 79.2% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. However, this category is projected to be less than budget at year-end due to less personal services expenses as well as less commodities purchased.

Enrollment

Total University enrollment for fall 2011 (excluding the Health Center) is up 1.7% from fall 2010 and undergraduate enrollment (degree and non-degree) is up 2.7%. The budget was based on lower enrollment levels.

Fund Balance

The University's budget was projected to have a net loss of \$4.6 million for the fiscal year ended June 30, 2012, which would have resulted in a Current Funds Unrestricted Fund Balance of \$66.3 million (Operating Fund-\$49.1 million; Research Fund-\$17.2 million). This fund balance represented 7.4% of the current year's unrestricted expenditure budget (\$893.3M). At the end of the first nine months, we are forecasting a balanced budget at year-

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end which would result in a Current Funds Unrestricted Fund Balance of \$70.9 million or 7.9% of the current year's unrestricted expenditure budget. Also, in accordance with current University procedures, unrestricted fund balances are carried forward in departmental accounts and are available for expenditures in the current and future fiscal years.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses
For the Months Ending
3/31/2012

	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)	\$ 199,392,856	\$ -	\$ 199,392,856	\$ -	\$ 199,392,856	\$ 149,495,246	\$ -	\$ 149,495,246	\$ -	\$ 149,495,246	
State Allotment Fringe Benefits	84,779,067	-	84,779,067	-	84,779,067	62,124,071	-	62,124,071	-	62,124,071	
Total State Support	284,171,923	-	284,171,923	-	284,171,923	211,619,317	-	211,619,317	-	211,619,317	
Tuition	256,111,294	-	251,557,764	4,553,530	256,111,294	259,904,868	-	255,341,902	4,562,966	259,904,868	
Fees	97,667,317	-	65,943,063	31,724,254	97,667,317	85,216,320	-	53,492,066	31,724,254	85,216,320	
Grants & Contracts	161,454,628	97,872,000	62,603,773	978,855	63,582,628	122,249,597	66,981,651	54,172,605	1,095,341	55,267,946	
Foundation	22,939,456	100,000	9,446,754	13,392,702	22,839,456	7,328,236	44,564	5,855,886	1,427,786	7,283,672	
Investment Income	739,700	-	739,700	-	739,700	738,019	-	686,059	51,960	738,019	
Sales and Services of Ed Activities	16,133,282	40,000	16,093,282	-	16,093,282	12,445,862	20,579	12,425,283	-	12,425,283	
Auxiliary Enterprise	183,581,151	-	-	183,581,151	183,581,151	165,882,463	-	-	165,882,463	165,882,463	
All Other Sources	5,797,940	40,000	5,757,940	-	5,757,940	4,489,347	53,767	4,410,580	25,000	4,435,580	
Total Revenues	\$ 1,028,596,691	\$ 98,052,000	\$ 696,314,199	\$ 234,230,492	\$ 930,544,691	\$ 869,874,029	\$ 67,100,561	\$ 598,003,698	\$ 204,769,770	\$ 802,773,468	
Expenses											
Personal Services	\$ 464,812,307	\$ 45,164,159	\$ 360,342,491	\$ 59,305,657	\$ 419,648,148	\$ 343,286,543	\$ 30,806,023	\$ 266,178,316	\$ 46,302,204	\$ 312,480,520	
Fringe Benefits	164,454,340	11,373,974	131,212,475	21,867,891	153,080,366	118,315,133	7,598,436	94,689,330	16,027,367	110,716,697	
Other Expenses	221,332,701	28,665,509	108,004,181	84,663,011	192,667,192	165,109,574	19,420,895	80,565,523	65,123,156	145,688,679	
Equipment	22,346,743	5,595,672	13,408,824	3,342,247	16,751,071	14,983,289	3,785,193	8,936,129	2,261,967	11,198,096	
Fixed Charges/Student Aid	125,556,388	3,450,000	110,491,404	11,614,984	122,106,388	119,188,497	2,796,914	105,307,783	11,083,800	116,391,583	
Total Expenses	\$ 998,502,479	\$ 94,249,314	\$ 723,459,375	\$ 180,793,790	\$ 904,253,165	\$ 760,883,036	\$ 64,407,461	\$ 555,677,081	\$ 140,798,494	\$ 696,475,575	
Transfers											
Debt Service	19,890,292	\$ -	\$ 7,793,864	\$ 12,096,428	\$ 19,890,292	\$ 12,030,935	\$ -	\$ 7,178,061	\$ 4,852,874	\$ 12,030,935	
Non Mandatory	14,848,664	\$ 6,444,995	\$ (32,936,605)	\$ 41,340,274	\$ 8,403,669	\$ 4,315,319	\$ 5,424,129	\$ (24,547,895)	\$ 23,439,085	\$ (1,108,810)	
Reserves to State General Fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expense/Transfer	\$ 1,033,241,435	\$ 100,694,309	\$ 698,316,634	\$ 234,230,492	\$ 932,547,126	\$ 777,229,290	\$ 69,831,590	\$ 538,307,246	\$ 169,090,453	\$ 707,397,699	
Net Gain (Loss)	\$ (4,644,744)	\$ (2,642,309)	\$ (2,002,435)	\$ -	\$ (2,002,435)	\$ 92,644,740	\$ (2,731,029)	\$ 59,696,452	\$ 35,679,317	\$ 95,375,769	

(1) State Appropriation \$225,353,662
SEBAC adjustments (17,632,482)
Accrual (8,328,324)
Adjusted Appropriation \$199,392,856

UNAUDITED
University of Connecticut (Storrs & Regionals)
Estimated Annual Changes in Unrestricted Net Assets
FY 2012

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<i>Net Assets, 6/30/11 (Unaudited)</i>					
Restricted	\$17,399,025	\$516,145	\$17,915,170	\$1,202,066,349	\$1,219,981,519
Unrestricted	51,145,265	19,840,389	70,985,654	104,388,236	175,373,890
Total Net Assets, 6/30/11 (Unaudited)	\$68,544,290	\$20,356,534	\$88,900,824	\$1,306,454,585	\$1,395,355,409

Unrestricted Revenues & Expenditures/Debt Service FY12

	<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	\$ 930,544,691	\$ 98,052,000	\$ 1,028,596,691	\$ 2,000	\$ -	\$ 1,028,598,691
Transfers In	16,834,541	500,000	17,334,541	19,890,292	24,929,612 ^A	62,154,445
Subtotal	\$ 947,379,232	\$ 98,552,000	\$ 1,045,931,232	\$ 19,892,292	\$ 24,929,612	\$ 1,090,753,136
Expenditures/Debt Service	\$ 904,253,165	\$ 94,249,314	\$ 998,502,479	19,890,292	\$ 33,239,102	\$ 1,051,631,873
Transfers Out	45,128,502	6,944,995	52,073,497	10,089,546	-	62,163,043
Subtotal	\$ 949,381,667	\$ 101,194,309	\$ 1,050,575,976	\$ 29,979,838	\$ 33,239,102	\$ 1,113,794,916
Net Increase (Decrease)	\$ (2,002,435)	\$ (2,642,309)	\$ (4,644,744)	\$ (10,087,546)	\$ (8,309,490)	\$ (23,041,780)

Estimated Unrestricted Net Assets

Non-spendable	\$ 7,235,862	\$ 36,369	\$ 7,272,231	\$ -	\$ 87,410	\$ 7,359,641
Committed	-	-	-	-	69,278,044	\$ 69,278,044
Assigned	43,909,403	19,804,020	63,713,423	35,022,782	-	98,736,205
Unrestricted Net Assets 6/30/11 (Unaudited)	51,145,265	19,840,389	70,985,654 ^B	35,022,782	69,365,454	175,373,890
Projected Operating Change	(2,002,435)	(2,642,309)	(4,644,744)	-	-	(4,644,744)
Projected Non-Operating Change	-	-	-	(10,087,546)	(8,309,490)	(18,397,036)
Estimated Unrestricted Assets 6/30/12	\$ 49,142,830	\$ 17,198,080	\$ 66,340,910	\$ 24,935,236	\$ 61,055,964	\$ 152,332,110

^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 28 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 is conservative with regard to savings for debt obligations. This represents approximately 1.25 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.