

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Nine Months Ended March 31, 2016

Summary

On June 24, 2015, the Board of Trustees approved a Spending Plan for Fiscal Year 2016 which included \$1,294.5 million of revenue to cover \$1,292.4 million in expenses. Through nine months, actual revenue totals \$1,140.8 million or 88.1% of the budget and expenditures totaled \$965.1 million or 74.7% of the budget. Financial results show that while individual categories have variances, UConn has managed its budget and expects to end the fiscal year with a small surplus of \$1.1 million. A more detailed explanation of the year-end projections within each revenue and expense category is below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections through the third quarter of Fiscal Year 2016 were \$1,065.2 million, or 89.3% of the budgeted amount. The three biggest sources of operating revenue are State Support, Tuition, and Auxiliary Enterprise revenue which together account for 79.8% of the total operating revenue.

State Support is anticipated to be \$386.8 million by year end. To date, UConn has received \$17.3 million in reductions of State Support.

	APPROPRIATION	FRINGES @ 60%	TOTAL CUT
Original Approp	\$243,219,082	\$145,931,449	
Lapse	(\$1,047,575)	(\$628,545)	(\$1,676,120)
Rescission/Fund Sweep	(\$8,500,000)		(\$8,500,000)
UConn CUTS AS OF 3.15.16	(\$9,547,575)	(\$628,545)	(\$10,176,120)
3/29/16 Cuts - Approp	(\$1,545,316)	(\$927,190)	(\$2,472,506)
3/29/16 Cuts - Fund Sweep	(\$4,680,000)		(\$4,680,000)
TOTAL	(\$15,772,891)	(\$1,555,735)	(\$17,328,626)

While UConn has been cut or had fund sweeps each year since 2010, the FY 2016 cuts to date are the largest reductions in any single year. This has caused intense pressure on our operating budget. However, due to careful hiring, prudent spending, and realizing efficiencies, we will end with a small surplus.

Tuition collections represent the second largest source of revenue, totaling \$354.2 million through the first nine months of the year. Tuition revenue collections reflect a 6.75% rate increase coupled with a 1.9% increase in the number of undergraduate students. As most of the tuition has been collected, we will end the year \$7.4 million above budget. The in-state/out-of-state mix is the main reason for the budget variance.

Auxiliary Enterprise Revenue is the third largest revenue source and totals \$195.5 million through the third quarter of Fiscal Year 2016. Auxiliary revenue consists primarily of Room and Board Fees, which totaled \$148.3M through the third quarter, and reflects rate increases of 3.0%. Athletics revenue, which includes ticket sales, conference revenue and media rights, was \$23.0 million through the first nine months. The year-end projection of \$210.1 million will be slightly under budget due to lower than projected Athletics revenue.

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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 of fee collections were \$110.1 million, or 93.8% of budget. This category will end favorable to budget due to higher intersession revenue.

Grants and Contracts revenue consists of non-research restricted revenues from a granting agency or private donor. For the first nine months of Fiscal Year 2016, Grants and Contracts revenue was \$71.3 million. The year-end projection of \$78.8 million will be favorable to the conservative budget but on target with prior year actuals.

Foundation/Endowment revenue consists of gift funds transferred from the UConn Foundation and investment income on endowments. Through the third quarter of Fiscal Year 2016 the total was \$10.6 million. Foundation revenue is expected to be at budget while investment income for the year is projected to be slightly over budget. Actual results will depend on interest rates and the University's cash balance through the remainder of the fiscal year.

Sales and Services of Educational Activities and Other Sources of revenue totaled \$22.8 million or 78.6% of budget through the third quarter, and should end the year \$6.5 million over budget mainly due to additional branding revenue. This category includes revenues that are related incidentally to the conduct of instruction, research, and public service and revenues of activities that exist to provide instructional and laboratory experience for students and that incidentally create goods and services that may be sold to students, faculty, staff, and the general public. Examples include, dairy products, study abroad, flower sales, grass sales, etc.

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 \$75.6 million and represented 74.2% of the amount budgeted. Due to the variability of research revenue, quarterly comparisons are not necessarily indicative of annual results. For Fiscal Year 2016, we expect research revenue to end the year very close to budget.

Expenditures - Operating Fund

Total Operating Fund expenditures through the third quarter of Fiscal Year 2016 were \$894.8 million. The two largest expenditure categories are Personal Services and Fringe Benefits which together represent 65.2% of the total projected expenditures for Fiscal Year 2016.

Personal Services/Fringe Benefits expenditures are on track to come in at \$748.3 million by year end, which would be \$18.8 million under budget. This is due to careful and judicious review of hiring this

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past year as well as the fringe rate coming in lower than anticipated. Most increases in this category are mandated, either from collective bargaining contracts or state developed fringe rates.

Other Expenses (including energy costs) were \$173.5 million for the first nine months and should come in about \$1.0 million under budget. The biggest components of this category are utilities, food service staff and supplies, lab supplies, and janitorial costs.

Equipment expenditures of \$10.2 million are already \$6.3 million higher than the amount budgeted. It was anticipated that prior to year-end, some of these expenditures would be moved to alternate non-operating funding sources; however, due to funding pressure we now expect to keep these expenditures here and this category will end over budget.

Student Aid expenditures were \$144.3 million through the third quarter. This category is expected to end the year over budget, as we have received higher state and other aid revenues as compared to budget, to cover the additional expenses.

Net Debt/Other Transfers for the first nine months were \$17.5 million or 45.9% of the amount budgeted. This category is projected to be higher than budgeted due to additional funds set-aside for projects that cannot be funded with UCONN 2000 bond funds, such as Energy Savings Performance Contracts.

Expenditures - Research Fund

Finally, **Research Fund** expenditures totaled \$70.3 million and represented 67.4% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. The actual year end expenditures should end very close to budget.

Enrollment and Fund Balance

Enrollment

Total University enrollment for fall 2015 (excluding UConn Health) is up 1.6% from fall 2014. Undergraduate enrollment (degree and non-degree) is up 1.9%, Graduate enrollment is up 1.7%, and Professional enrollment is down 7.0%.

Fund Balance

Based on the approved budget for the fiscal year ending June 30, 2016, the University is projecting that the Operating Unrestricted Fund Balance of \$76.2 million will increase by \$1.1 million to \$77.3 million (Operating Fund \$56.8 million and Research Fund \$20.5 million). The projected Operating Unrestricted Fund Balance represents 7% of the current year's unrestricted expenditure budget (\$1,131 million) or, alternatively stated, 25 days' worth of operations. 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.

Overall the University is closely monitoring spending and being judicious in hiring decisions, while State funding uncertainty exists. Maintaining quality and high standards and encouraging efficiency and cost reduction, through the face of funding shortfalls, is the main financial goal of the University.

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Statement of Operating Budget Revenues and Expenses
For the Month Ending
3/31/2016

	Budget			Actual as of 3/31/2016					
	Operating	Research	Total	Operating	% of Budget	Research	% of Budget	Total	% of Total
Revenues									
State Appropriation ⁽¹⁾	\$243,143,113		\$ 243,143,113	\$188,363,860		\$155,056		\$ 188,518,916	
State Fringe Benefits	153,525,561		153,525,561	112,309,909				112,309,909	
Total State Support	\$396,668,674		396,668,674	300,673,769	75.8%	\$155,056		300,828,825	26.4%
Tuition	346,689,970		346,689,970	354,233,490	102.2%			354,233,490	31.1%
Fees	117,391,563		117,391,563	110,080,408	93.8%			110,080,408	9.6%
Grants & Contracts	68,837,750	100,564,290	169,402,040	71,272,306	103.5%	74,992,894	74.6%	146,265,200	12.8%
Foundation	17,705,062	285,039	17,990,101	9,650,617	54.5%	118,348	41.5%	9,768,965	0.9%
Investment Income	657,337		657,337	978,693	148.9%			978,693	0.1%
Sales and Services of Ed Activities	18,399,357		18,399,357	14,790,874	80.4%	103,619		14,894,493	1.3%
Auxiliary Enterprise	215,672,926		215,672,926	195,455,201	90.6%			195,455,201	17.1%
All Other Sources	10,661,699	970,039	11,631,738	8,038,615	75.4%	229,476	23.7%	8,268,091	0.7%
Total Revenues	\$1,192,684,338	\$ 101,819,368	\$ 1,294,503,706	\$ 1,065,173,973	89.3%	\$ 75,599,393	74.2%	\$ 1,140,773,366	100.0%
Expenses									
Personal Services	\$ 507,792,120	\$ 46,195,759	\$ 553,987,879	\$ 370,768,568	73.0%	\$ 31,221,600	67.6%	\$ 401,990,168	41.7%
Fringe Benefits	259,279,810	12,887,762	272,167,572	178,568,852	68.9%	10,016,063	77.7%	188,584,915	19.5%
Other Expenses	232,659,272	31,580,418	264,239,690	173,506,665	74.6%	20,524,883	65.0%	194,031,548	20.1%
Equipment	3,904,859	3,763,979	7,668,838	10,187,454	260.9%	2,951,470	78.4%	13,138,924	1.4%
Student Aid	146,546,310	7,707,352	154,253,662	144,312,316	98.5%	5,739,228	74.5%	150,051,544	15.5%
Debt/Other Transfers	38,039,003	2,054,387	40,093,390	17,478,733	45.9%	(199,353)	-9.7%	17,279,380	1.8%
Total Expenses	\$ 1,188,221,374	\$ 104,189,657	\$ 1,292,411,031	\$ 894,822,588	75.3%	\$ 70,253,891	67.4%	\$ 965,076,479	100.0%
Net Gain (Loss)	\$ 4,462,964	\$ (2,370,289)	\$ 2,092,675	\$ 170,351,385		\$ 5,345,502		\$ 175,696,887	

⁽¹⁾ State Appropriation Budget \$242,171,507
Accrual 971,606
Adjusted Appropriation \$243,143,113