

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2015

Summary

The enclosed report comparing the Operating and Research Funds actual results to budget for the twelve month period which ended on June 30, 2015 reflects unaudited figures.

On June 25, 2014, the Board of Trustees approved a Spending Plan for Fiscal Year 2015 which included \$1,188.8 million of revenue to cover \$1,188.8 million in expenses. The University ended the year with a total gain of \$2.0 million.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for Fiscal Year 2015 were \$1,122.0 million which represented 102.7% of the annual budget. A major source of revenue, **State Support**, was \$351.5 million and represented 31.3% of total operating fund receipts. The Governor exercised his authority to rescind State Support multiple times this fiscal year, in addition to the July 1, 2014 lapse of \$0.8M (~\$1.3 million with fringe benefits), including November 20, 2014 - \$2.3 million (~\$3.6 million with fringe benefits), January 23, 2015 - \$2.3 million (~\$3.5 million with fringe benefits), and April 1, 2015 - \$2.0 million (~\$3.1 million with fringe benefits). In total, State Support was reduced by about \$11.5 million including fringe benefits. However, total State Support for Fiscal Year 2015 was higher than budgeted due to a higher than budgeted fringe benefit return.

Tuition collections were the second largest source of revenue, totaling \$319.7 million, which represented 28.5% of total operating fund receipts. Tuition receipts were 102.1% of the annual budgeted amount of \$313.2 million. Tuition revenue collections reflected a 6.5% rate increase coupled with a 1.7% increase in the number of undergraduate students. Since 2013, undergraduate enrollment has increased by 3%.

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, etc. Fee collections were \$116.2 million or 105.1% of the amount budgeted. The increased revenues were driven primarily by graduate programs in the Business School, including the Financial Risk, Accounting and Business Analytics masters programs.

Auxiliary Enterprise Revenue for Fiscal Year 2015 was \$204.4 million which represented 97.7% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflected rate increases of 3.0% and Athletic revenues. At year-end, this category was less than budget due to lower than projected Athletics conference revenues and ticket sales.

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For Fiscal Year 2015, Gifts, Grants and Contracts revenue of \$96.4 million, which included \$21.2 million from the UConn Foundation, was 112.6% of the annual budget. This category was more than budgeted due to additional State and

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Federal financial aid and greater utilization of funds from the Foundation, which is primarily restricted funds.

Investment Income for Fiscal Year 2015 was \$0.9 million. Interest rates in the State Treasurer's Investment Fund continue to be low and were 0.14% by the end of the fiscal year. The average interest rate for Fiscal Year 2015 was 0.15% which was slightly more than the Fiscal Year 2014 average of 0.14%.

Sales and Services of Educational Activities and Other Sources revenue totaled \$32.9 million or 132.2% of the annual budget. The additional revenue in these categories was attributed in part by Global Affairs revenues and royalty income, including Tech Park and Technology Commercialization.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. Research Fund revenues were \$99.5 million and represented 103.7% of the amount budgeted. This category was greater than budgeted at year-end due to new faculty research grants.

Expenditures - Operating Fund

Total Operating Fund expenditures for Fiscal Year 2015 were \$1,125.4 million or 103.1% of the annual budgeted amount. Individual categories of expenditures as a percentage of the annual operating budget were as follows:

Personal Services	98.6%
Fringe Benefits	101.1%
Other Expenses	101.2%
Equipment	69.8%
Student Aid	102.5%

Personal Services and Fringe Benefits represented 99.4% of the annual budgeted amount of \$717.6 million. As a result of the *Next Generation Connecticut Initiative*, the Fiscal Year 2015 budget included filling an additional 61 new faculty positions. On the staff side, hiring was lower than budgeted due to careful review of hiring requests and slower hiring than projected.

Other Expenses (including energy costs) were \$215.2 million for Fiscal Year 2015. This category was slightly higher than budgeted due to higher faculty start-up expenditures, legal fees, and food costs.

Equipment expenditures of \$4.9 million were 69.8% of the amount budgeted. Utilization of alternate revenue sources caused this category of expenses to be less than budgeted at year-end.

Student Aid expenditures were \$142.7 million and represented 102.5% of the amount budgeted. This category was higher than budgeted due to additional University supported financial aid awarded to students and more State and Federal aid, as mentioned in the Grants category.

Net **Debt/Other Transfers** for Fiscal Year 2015 were \$49.3 million. Additional funds were set-aside for debt service needs to ensure that the favorable University credit rating remains. Also, funds were set-aside for projects that cannot be funded with UCONN 2000 bond funds.

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Expenditures - Research Fund

Finally, **Research Fund** expenditures totaled \$94.2 million and represented 97.3% of the budgeted amount. In Fiscal Year 2014, Research Fund expenditures represented 111.9% of the budgeted amount. This category was less than budgeted at year-end due to timing of expenditure outlays on grants.

Enrollment

Total University enrollment for fall 2014 (excluding UConn Health) is up 2.1% from fall 2013. Undergraduate enrollment (degree and non-degree) is up 1.7%, Graduate enrollment is up 4.2%, and Professional enrollment is down 2.7%.

Fund Balance

The University had a combined net gain of \$2.0 million for the fiscal year ending June 30, 2015. This resulted in a Current Funds Unrestricted Fund Balance of \$77.0 million. Note that this amount excludes the GASB 68 pension liability. The unrestricted fund balance represents 7% of the Fiscal Year 2016 unrestricted expenditure budget of \$1,131 million or, alternatively stated, 25 days' worth of operations.

The \$77.0 million current funds balance represents the funds remaining in the following operating areas: the research fund (designated for research); the auxiliary operations (residential, dining, health, student activities and recreational services); and departmental generated (self-supporting fee-based instructional programs such as Continuing Studies and MBA).

Fund balances may be held in a departmental account for start-up costs for new faculty conducting research. Additionally, under the provisions of UCONN 2000, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition; the fund balance serves this purpose under the Master Indenture. These balances also include inventory, prepaid expenses and encumbrances.

The unrestricted current funds balance is our operating capital and support for programs and activities that generate revenue and are not supported by the State appropriation. UConn borrows from the fund balance to pay our bills when necessary. For example, in 2010 the Governor requested fund balances of \$3 million and then another \$5 million from us during the year. UConn was able to meet this obligation using existing fund balance. The fund balance allows us to manage these dislocations without disrupting the University's operations.

Throughout the year, when funds are available, UConn also sets aside dollars in accounts for planned one-time expenditures, mostly capital. These accounts comprise our plant funds. These balances are primarily for Auxiliary Enterprise projects such as Residential Life and Dining Services. The University has a policy that a departmentally funded construction project cannot begin unless the funding has been identified and the full amount is transferred to plant funds. For Residential Life and Dining Services projects, the window of opportunity to actually complete many repairs, renovations and improvements is limited as most projects cannot be done while students are occupying the buildings, so the actual spending of the cash is a timing issue.

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The FY15 unrestricted net assets of \$159.8 million consists of \$77.0 million current funds balance, \$51.2 million in unexpended plant funds and \$31.6 million in funds that are internally restricted for the retirement of indebtedness.



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Statement of Operating Budget Revenues and Expenses for the Period Ended 6/30/15 (Unaudited)

	Budget			Actual as of 6/30/15					
	Operating	Research	Total	Operating	% of Budget	Research	% of Budget	Total	% of Total
Revenues									
State Appropriation ⁽¹⁾	\$230,618,143		\$ 230,618,143	\$220,015,631				\$ 220,015,631	
State Fringe Benefits	118,058,104		118,058,104	131,473,839				131,473,839	
Total State Support	\$348,676,247		348,676,247	351,489,470	100.8%			351,489,470	28.8%
Tuition	313,234,258		313,234,258	319,719,905	102.1%			319,719,905	26.2%
Fees	110,596,906		110,596,906	116,215,426	105.1%	5,360		116,220,786	9.5%
Grants & Contracts	68,338,884	95,677,153	164,016,037	75,166,996	110.0%	98,068,883	102.5%	173,235,879	14.2%
Foundation	17,245,735	250,000	17,495,735	21,223,888	123.1%	412,044	164.8%	21,635,932	1.8%
Investment Income	570,400		570,400	868,288	152.2%			868,288	0.1%
Sales and Services of Ed Activities	16,096,413		16,096,413	21,004,691	130.5%	25,527		21,030,218	1.7%
Auxiliary Enterprise	209,201,629		209,201,629	204,410,955	97.7%			204,410,955	16.7%
All Other Sources	8,825,368	44,728	8,870,096	11,943,451	135.3%	1,035,749	2315.7%	12,979,200	1.1%
Total Revenues	\$1,092,785,840	\$ 95,971,881	\$ 1,188,757,721	\$ 1,122,043,070	102.7%	\$ 99,547,563	103.7%	\$ 1,221,590,633	100.0%
Expenses									
Personal Services	\$ 489,450,615	\$ 42,487,748	\$ 531,938,363	\$ 482,778,185	98.6%	\$ 42,393,176	99.8%	\$ 525,171,361	43.1%
Fringe Benefits	228,112,974	12,175,361	240,288,335	230,545,382	101.1%	13,395,864	110.0%	243,941,246	20.0%
Other Expenses	212,594,531	29,914,415	242,508,946	215,167,123	101.2%	27,302,660	91.3%	242,469,783	19.9%
Equipment	6,975,350	3,009,765	9,985,115	4,868,496	69.8%	3,144,223	104.5%	8,012,719	0.7%
Student Aid	139,220,013	7,128,993	146,349,006	142,700,045	102.5%	7,532,683	105.7%	150,232,728	12.3%
Debt/Other Transfers	15,583,174	2,104,782	17,687,956	49,293,613	316.3%	480,338	22.8%	49,773,951	4.1%
Total Expenses	\$ 1,091,936,657	\$ 96,821,064	\$ 1,188,757,721	\$ 1,125,352,844	103.1%	\$ 94,248,944	97.3%	\$ 1,219,601,788	100.0%
Net Gain (Loss)	\$ 849,183	\$ (849,183)	\$ -	\$ (3,309,774)		\$ 5,298,619		\$ 1,988,845	

⁽¹⁾ State Appropriation \$228,323,861
Accrual 2,294,282
Adjusted Appropriation \$230,618,143