

# University of Connecticut (Storrs & Regional Campuses)

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## Quarterly Overview of the Operating and Research Funds For the Three Months Ended September 30, 2011

### 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 three months of Fiscal Year 2012 reflected a number of different factors when compared to budget. Actual revenue totaled \$393.5 million or 38.3% of the budget. At the close of September, the University expenditures and transfers totaled \$284.5 million or 27.5% of the budget.

The net gain for the Operating Fund shown in this three 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 three months of Fiscal Year 2012 operations is presented below.

### Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first three months of Fiscal Year 2012 were \$362.3 million which represented 38.9% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 38.7% of the annual budget. A major source of revenue, **State Support**, consisted of a \$58.4 million appropriation and a fringe benefit allotment of \$21.1 million. State Support represented 21.9% of total Operating Fund receipts for the first three months.

**Tuition** collections were the largest source of revenue, totaling \$128.2 million, which represented 35.4% of total Operating Fund receipts. Tuition receipts were 50.0% 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, Application Fees and Late Payment Fees. The first three months Fee collections were slightly less than anticipated at \$39.6 million or 40.6% of the amount budgeted. However, this category is expected to be right on budget at year end.

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**Auxiliary Enterprise Revenue** for the first three months of Fiscal Year 2012 was \$77.7 million which represented 42.3% of the annual budgeted amount and was greater than projected due to a greater amount of students housed and more meal plans than anticipated. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 2.5% (\$62.9 million) and Athletic Department receipts (\$11.1 million).

**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 months of Fiscal Year 2012, Gifts, Grants and Contracts revenue of \$31.6 million, which included \$2.4 million from the UConn Foundation, was 36.6% of the annual budget. This category was slightly ahead of budget for the quarter but expected to be on budget at year end.

Most **Investment Income** is reported in the quarter subsequent to when it is earned except for the fourth quarter (June 30) when it is accrued for annual reporting purposes. Consequently, the amount received (\$139,171) does not reflect the actual amount earned for the first quarter. Interest rates also continue to be low with the rate for the first quarter at 0.18%.

**Sales and Services of Educational Activities and Other Sources** revenue totaled \$5.6 million and were less than budget for the quarter but expected to be on budget for the year.

### Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first three months, Research Fund revenues were \$31.2 million and represented 31.8% of the amount budgeted. In Fiscal Year 2011, Research Fund revenues reported in the first three months totaled \$29.6 million and represented 31.2% of the amount budgeted.

### Expenditures - Operating Fund

**Total Operating Fund** expenditures (excluding transfers) for the first three months of Fiscal Year 2012 were \$256.3 million or 28.3% of the annual budgeted amount. The spending pattern for the first quarter of Fiscal Year 2011 reflected expenditures of 28.9% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	26.8%
Fringe Benefits	25.0%
Other Expenses	22.3%
Equipment	30.0%
Student Aid	47.1%

**Personal Services/Fringe Benefits** represented 26.3% of the annual budgeted amount of \$572.7 million. The personal services expenditures were greater than budget for the first quarter. This is primarily due to the UCPEA and Classified employees receiving wage increases for the first four pay periods which was not included in the budget. Official full-time faculty and staff counts (based on IPEDS federal reporting standards) will be available in the second quarter.

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**Other Expenses** (including energy costs) were \$43.0 million for the first three months and represented 22.3% of the amount budgeted. Energy expenditures are projected to be slightly below budget for the year due to favorable gas prices. In addition, Other Expenses (excluding energy costs) are less than anticipated for the first quarter primarily due to technology and other miscellaneous expenditures. These expenditures were anticipated in the first quarter but will be delayed until the second quarter.

**Equipment** expenditures of \$5.0 million were 30.0% of the amount budgeted. This category was greater than expected for the first quarter but expenditures are expected to slow down prior to year end.

**Student Aid** funds are predominantly expended in the first and third quarter of the fiscal year. For the first quarter, Student Aid expenditures were \$57.5 million and represented 47.1% of the amount budgeted. While this category was behind the first quarter projection, it is expected to be on track for the year.

### **Expenditures - Operating Fund Transfers**

Net **Transfers** for the first quarter were (\$4.2) million. This was primarily due to transfers from the Research fund for faculty start-up costs that were completed earlier in the fiscal year than in the past.

### **Expenditures - Research Fund**

Finally, **Research Fund** expenditures and transfers totaled \$32.4 million and represented 32.2% of the budgeted amount. In Fiscal Year 2011, Research Fund expenditures and transfers reported in the first three months totaled \$35.4 million and represented 37.3% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

### **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 is projected to have a net loss of \$4.6 million for the fiscal year ended June 30, 2012, which results in a Current Funds Unrestricted Fund Balance of \$66.3 million (Operating Fund-\$49.1 million; Research Fund-\$17.2 million). The fund balance represents 7.4% of the current year's unrestricted expenditure budget (\$893.3M). 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**  
**Statement of Operating Budget Revenues and Expenses**  
**For the Months Ending**  
**9/30/2011**

	Operating Budget					Actual					
	Total	Research Fund	Operating Fund			Total	Research Fund	Operating Fund			
			E&G	Aux Ent	Subtotal			E&G	Aux Ent	Subtotal	
<b>Revenues</b>											
State Appropriations (1)	\$ 199,392,856	\$ -	\$199,392,856	\$ -	\$ 199,392,856	\$ 58,425,025	\$ -	\$58,425,025	\$ -	\$ 58,425,025	
State Allotment Fringe Benefits	84,779,067	-	84,779,067	-	84,779,067	21,076,926	-	21,076,926	-	21,076,926	
<b>Total State Support</b>	284,171,923	-	284,171,923	-	284,171,923	79,501,951	-	79,501,951	-	79,501,951	
Tuition	256,111,294	-	251,557,764	4,553,530	256,111,294	128,172,738	-	127,476,063	696,675	128,172,738	
Fees	97,667,317	-	65,943,063	31,724,254	97,667,317	39,611,378	-	7,887,124	31,724,254	39,611,378	
Grants & Contracts	161,454,628	97,872,000	62,603,773	978,855	63,582,628	60,417,011	31,198,172	28,956,007	262,832	29,218,839	
Foundation	22,939,456	100,000	9,446,754	13,392,702	22,839,456	2,428,090	1,613	2,276,636	149,841	2,426,477	
Investment Income	739,700	-	739,700	-	739,700	139,171	-	122,194	16,977	139,171	
Sales and Services of Ed Activities	16,133,282	40,000	16,093,282	-	16,093,282	4,385,076	15,986	4,369,090	-	4,369,090	
Auxiliary Enterprise	183,581,151	-	-	183,581,151	183,581,151	77,683,935	-	-	77,683,935	77,683,935	
All Other Sources	5,797,940	40,000	5,757,940	-	5,757,940	1,175,379	10,919	1,139,460	25,000	1,164,460	
<b>Total Revenues</b>	\$ 1,028,596,691	\$ 98,052,000	\$ 696,314,199	\$ 234,230,492	\$ 930,544,691	\$ 393,514,729	\$ 31,226,690	\$ 251,728,525	\$ 110,559,514	\$ 362,288,039	
<b>Expenses</b>											
Personal Services	\$ 464,812,307	\$ 45,164,159	\$ 360,342,491	\$ 59,305,657	\$ 419,648,148	\$ 128,190,075	\$ 15,708,506	\$ 95,874,525	\$ 16,607,044	\$ 112,481,569	
Fringe Benefits	164,454,340	11,373,974	131,212,475	21,867,891	153,080,366	41,758,652	3,423,245	32,714,851	5,620,556	38,335,407	
Other Expenses	221,332,701	28,665,509	108,004,181	84,663,011	192,667,192	49,185,742	6,208,636	26,511,797	16,465,309	42,977,106	
Equipment	22,346,743	5,595,672	13,408,824	3,342,247	16,751,071	6,475,593	1,444,080	4,645,383	386,130	5,031,513	
Fixed Charges/Student Aid	125,556,388	3,450,000	110,491,404	11,614,984	122,106,388	59,066,463	1,586,395	52,046,898	5,433,170	57,480,068	
<b>Total Expenses</b>	\$ 998,502,479	\$ 94,249,314	\$ 723,459,375	\$ 180,793,790	\$ 904,253,165	\$ 284,676,525	\$ 28,370,862	\$ 211,793,454	\$ 44,512,209	\$ 256,305,663	
<b>Transfers</b>											
Debt Service	19,890,292	\$ -	\$ 7,793,864	\$ 12,096,428	\$ 19,890,292	\$ -	\$ -	\$ -	\$ -	\$ -	
Non Mandatory	14,848,664	\$ 6,444,995	\$ (32,936,605)	\$ 41,340,274	\$ 8,403,669	\$ (138,751)	\$ 4,023,208	\$ (4,951,752)	\$ 789,792	\$ (4,161,960)	
Reserves to State General Fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total Expense/Transfer</b>	\$ 1,033,241,435	\$ 100,694,309	\$ 698,316,634	\$ 234,230,492	\$ 932,547,126	\$ 284,537,774	\$ 32,394,070	\$ 206,841,702	\$ 45,302,001	\$ 252,143,703	
<b>Net Gain (Loss)</b>	\$ (4,644,744)	\$ (2,642,309)	\$ (2,002,435)	\$ -	\$ (2,002,435)	\$ 108,976,955	\$ (1,167,380)	\$ 44,886,823	\$ 65,257,513	\$ 110,144,336	

(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**  
**FY2012**

	<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
<b>Total Net Assets, 6/30/11 (Unaudited)</b>	<b>\$68,544,290</b>	<b>\$20,356,534</b>	<b>\$88,900,824</b>	<b>\$1,306,454,585</b>	<b>\$1,395,355,409</b>

**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 <sup>A</sup>	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
<b>Net Increase (Decrease)</b>	<b>\$ (2,002,435)</b>	<b>\$ (2,642,309)</b>	<b>\$ (4,644,744)</b>	<b>\$ (10,087,546)</b>	<b>\$ (8,309,490)</b>	<b>\$ (23,041,780)</b>

**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
<b>Unrestricted Net Assets 6/30/11 (Unaudited)</b>	<b>51,145,265</b>	<b>19,840,389</b>	<b>70,985,654 <sup>B</sup></b>	<b>35,022,782</b>	<b>69,365,454</b>	<b>175,373,890</b>
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)
<b>Estimated Unrestricted Assets 6/30/12</b>	<b>\$ 49,142,830</b>	<b>\$ 17,198,080</b>	<b>\$ 66,340,910</b>	<b>\$ 24,935,236</b>	<b>\$ 61,055,964</b>	<b>\$ 152,332,110</b>

<sup>A</sup> 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.

<sup>B</sup> 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.