

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2016

On June 29, 2016, the Board of Trustees approved an Operating Budget for Fiscal Year 2017 which included \$1,319.8 million of revenue to cover \$1,319.4 million in expenses.

Financial results for the first six months of Fiscal Year 2017 reflected a number of different factors when compared to budget. Actual revenue totaled \$668.4 million and actual expenditures totaled \$618.6 million resulting in a \$49.8 million variance at this point in the fiscal year. UConn has been able to maintain a balanced budget due to strong revenues, steady state funding, careful management of expenses, operational efficiencies and generation of new external revenues. Overall budget is expected to come in slightly better than budget, ending with a slight net gain of \$2.4 million.

A more detailed review of the activity through the end of the second quarter is presented below.

Revenues

Operating Fund

Total **Operating Fund** revenue collections through the second quarter of Fiscal Year 2017 were \$616.3 million which represented 50.7% of the annual budget. Revenues at this point last year totaled \$630.5 million. Overall revenues are expected to be slightly lower than budgeted largely due to a decrease in state financial aid and other revenue (such as payment plan enrollment charges) coming in lower than expected.

A major source of revenue, **State Support**, was \$192.2 million and represented 31.2% of the total operating fund revenue received for the first six months. On June 8, 2016, a lapse of \$6.9 million (\$11.4 million with fringe benefits) was reduced from the University's overall State Support. State support continues to be an important piece of the overall budget and we appreciate the ongoing support from the State. We are hopeful that based on current projections the state will not have to cut further or take fund sweeps from UConn.

Tuition collections totaled \$190.9 million, which represented 31.0% of total operating fund receipts. Tuition revenue collections reflected a \$700 rate increase for in-state students and a \$950 rate increase for out-of-state students, coupled with a 1.0% increase in the number of undergraduate students. As of the 10th day fall census, total undergraduate enrollment was 23,630, which includes 174 more first time in-state freshman than last year. Total graduate and professional program enrollment at UConn is 7,810 (excluding UConn Health). Total University enrollment for fall 2016 (excluding UConn Health) was up 1.2% from fall 2015. Undergraduate enrollment (degree and non-degree) was up 1.0%, Graduate enrollment was up 2.8%, and Professional enrollment was down 5.2%.

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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 (EMBA, CEIN program, etc.). Also included in this category are the mandatory fees such as the General University Fee, which primarily supports four Auxiliary Enterprise programs. Various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees are included here as well. The six months of fee collections totaled \$64.7 million or 52.0% of the amount budgeted. This category is projected to be \$1.9 million higher than budgeted due to a larger undergrad population than budgeted.

Auxiliary Enterprise Revenue through the second quarter of Fiscal Year 2017 was \$112.5 million which represented 53.4% of the annual budgeted amount. The largest portion of Auxiliary Enterprise revenue consists of Room and Board Fees, which totaled \$84.4 million through the first six months. Athletics revenue, consisting of ticket sales and sponsor/conference revenue, added another \$16.7 million in this category through the second quarter. Our updated forecast shows an additional \$3.3 million more than budgeted.

Grants and Contracts revenue consists of non-research restricted revenues from a granting agency (e.g. Pell Grants, state grants, etc.). For the first six months of Fiscal Year 2017, Grants and Contracts revenue was \$36.1 million or 45.5% of the amount budgeted. Overall this category will end approximately \$3.7 million below budget due to the reduction of the Roberta Willis State Scholarship funding.

Foundation/Investment revenue consists of gift funds transferred from the UConn Foundation and investment income on endowments. Through the second quarter of Fiscal Year 2017, the total amount received was \$4.7 million or 23.4% of the amount budgeted. The low total is not reflective of year end results as a large portion of this revenue is received in the second half of the year. This category is expected to end the year on budget.

Sales and Services of Educational Activities and Other Sources revenue totaled \$15.2 million or 40.0% of budget through the second quarter. This category includes revenues from the sales of goods or services that are incidental to the conduct of instruction, research, or public service. This category is expected to come in slightly under budget by year end.

Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first six months, Research Fund revenues were \$52.1 million and represented 49.8% of the amount budgeted and are on target to end the year on budget.

Expenditures

Operating Fund

Total **Operating Fund** expenditures through the second quarter of Fiscal Year 2017 were \$570.2 million or 47.0% of the annual budgeted amount. Operating expenditures at this point last year were \$579.9 million showing that the overall expenditures are down comparatively and will end the year under budget. Strategic cuts, careful hiring, and cost avoidance have been applied in order to reduce overall spending while still maintaining academic excellence.

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Personal Services/Fringe Benefit expenditures totaled \$345.5 million and represented 45.4% of the budgeted amount of \$760.6 million or 60.6% of the total Operating Fund expenditures. It is forecasted that these categories will come in under budget due to slower hiring. The University continues to closely watch spending in these categories considering the current fiscal environment and is making judicious hiring decisions.

Other Expenses (including energy costs) were \$118.6 million for the first six months. This represents 47.1% of the amount budgeted. The biggest components of this category are utilities, food service, lab supplies, and janitorial costs. These costs are coming in lower and will end the year under budget due to operational efficiency gains achieved throughout the year and more careful spending.

Equipment expenditures of \$7.1 million were 50.8% of the amount budgeted. This category is expected to end slightly over budget due to increased academic equipment needs.

Student Aid expenditures were \$77.7 million and represented 48.1% of the amount budgeted. In spite of the decrease of \$3.7 million to the Roberta Willis State Scholarship, UConn is committed to providing financial aid to students based on both need and merit, and has found a way to provide some funding to replace this loss. However, despite our best efforts, we will still fall below our budgeted amount due to this cut.

Net Debt/Other Transfers for the first six months were \$21.2 million or 85.0% of the amount budgeted.

Research Fund

Finally, **Research Fund** expenditures totaled \$48.4 million and represented 45.5% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

Summary

Overview

The large net gain through the first six months is not representative of expected year end results. The timing between various revenues and associated expenditures fluctuates month to month. The University expects to end Fiscal Year 2017 slightly better than budget at \$2.4 million, just 0.1% of the total expenditures. The University continues to monitor spending, make judicious hiring decisions, and create operational efficiencies wherever possible. As always, maintaining quality and high standards, while encouraging efficiency and cost reduction, continues to be the financial goal of the University.

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Statement of Operating and Research Funds
For the Month Ending
12/31/2016

	Budget			Actual as of 12/31/2016			
	Operating	Research	Total	Operating	Research	Total	% of Budget
Revenues							
State Appropriation	\$ 223,020,377		\$ 223,020,377	\$116,407,944		\$ 116,407,944	52.2%
State Fringe Benefits	146,911,945		146,911,945	75,806,151		75,806,151	51.6%
Total State Support	369,932,322		369,932,322	\$192,214,095		192,214,095	52.0%
Tuition	372,685,757		372,685,757	190,921,191		190,921,191	51.2%
Fees	124,498,396		124,498,396	64,689,096		64,689,096	52.0%
Grants & Contracts	79,294,938	102,746,343	182,041,281	36,071,122	51,562,649	87,633,771	48.1%
Foundation/Investments	20,005,062	287,277	20,292,339	4,691,069		4,691,069	23.1%
Sales and Services of Ed Activities	19,828,516		19,828,516	7,827,284	2,500	7,829,784	39.5%
Auxiliary Enterprises	210,687,140		210,687,140	112,500,182		112,500,182	53.4%
All Other Sources	18,282,867	1,553,538	19,836,405	7,419,806	488,151	7,907,957	39.9%
Total Revenues	\$ 1,215,214,998	\$ 104,587,158	\$ 1,319,802,156	\$ 616,333,845	\$ 52,053,300	\$ 668,387,145	50.6%
Expenses							
Personal Services	\$ 502,222,509	\$ 48,040,959	\$ 550,263,468	\$ 241,965,927	\$ 21,327,485	\$ 263,293,412	47.8%
Fringe Benefits	258,337,473	15,180,513	273,517,986	103,568,024	8,629,224	112,197,248	41.0%
Other Expenses	252,054,047	30,940,027	282,994,074	118,593,214	14,053,450	132,646,664	46.9%
Equipment	13,916,612	3,563,109	17,479,721	7,068,022	1,335,452	8,403,474	48.1%
Student Aid	161,624,095	8,536,216	170,160,311	77,746,706	2,792,893	80,539,599	47.3%
Debt/Other Transfers	24,988,809	-	24,988,809	21,228,544	255,886	21,484,430	86.0%
Total Expenses	\$ 1,213,143,545	\$ 106,260,824	\$ 1,319,404,369	\$ 570,170,437	\$ 48,394,390	\$ 618,564,827	46.9%
Net Gain (Loss)	\$ 2,071,453	\$ (1,673,666)	\$ 397,787	\$ 46,163,408	\$ 3,658,910	\$ 49,822,318	