

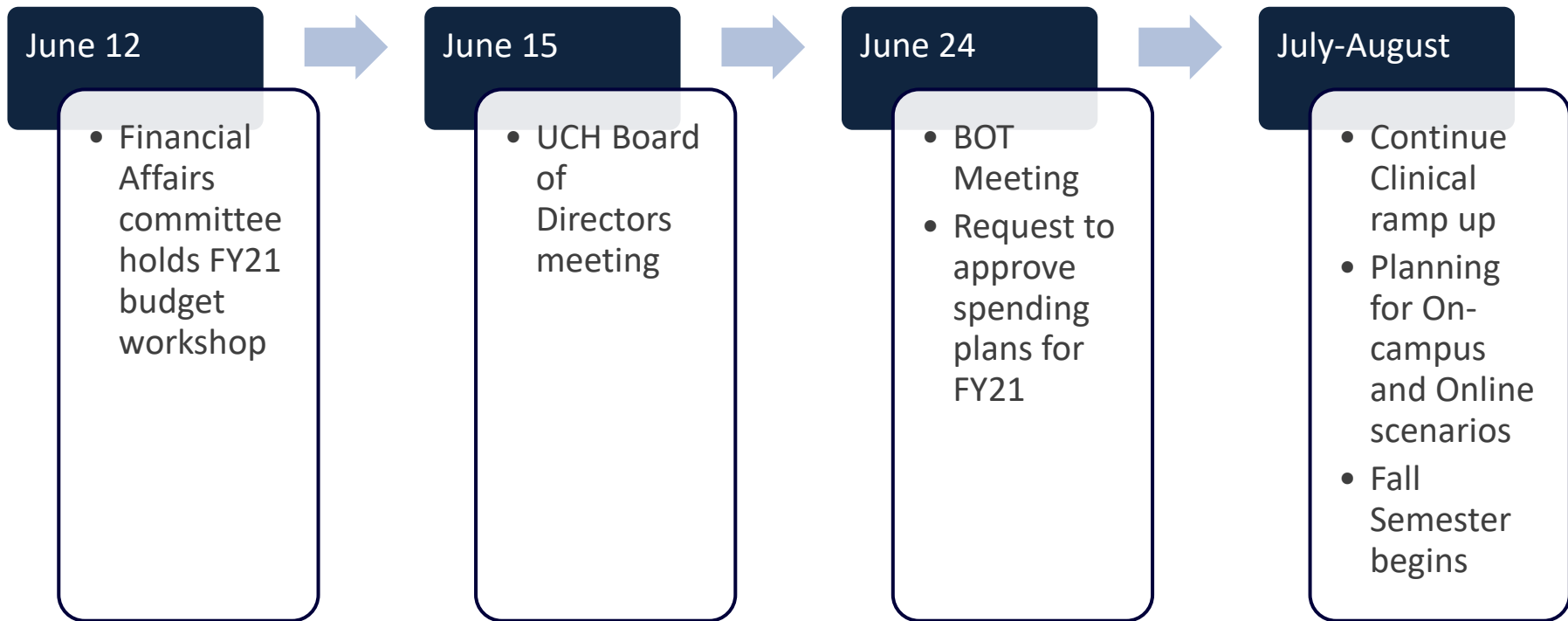


FY21 Spending Plan

Board of Trustees
Financial Affairs Committee
6/12/20

Timeline: FY21 Budget Process

- Working groups studying challenges and preparing implementation plans and safety guides
- Fall decision will guide the budget scenario



Key Issues

Uncertainty on timing of pandemic leads to unknown risks and affects many decisions needed for developing the FY21 budget

- Before the pandemic, University generated operating surpluses, but unfunded fringe legacy costs erased them
- These high legacy costs impact our research and clinical competitiveness, and we had taken steps to address this issue
- Since the pandemic,
 - UConn Storrs/Regionals issued over **\$30 million in pro-rated student refunds of housing, dining, and parking fees**
 - UConn Health **stopped elective surgeries worth over \$100 million** to focus on COVID patients

FY21 SERS Unfunded Legacy Costs

State reimburses UConn/UCH for some unfunded legacy costs, but we must use our own non-State funds to pay a large share of that liability, plus retiree health costs, for a combined total of **\$85M** in FY21

UConn (Storrs & Regionals)		
Fund Type	FY20	FY21
Tuition/Fees/Other*	\$21.6	\$24.1
Research	\$6.4	\$6.9
Non-State Funds/Liabilities	\$28.0	\$30.9
UConn Health**		
Fund Type	FY20	FY21
Clinical	\$26.9	\$29.8
SOM/SODM Academic Units***	\$15.0	\$15.9
Research Fund	\$7.8	\$8.1
Non-State Funds/Liabilities	\$49.7	\$53.8
Combined UConn/UCH	\$77.7	\$84.7

*Other includes outside educational revenue, indirect cost return from grants, etc.

UCH received **\$33.2M additional State support in FY20 to help cover a portion of the unfunded pension liability and retiree health costs.

***Includes tuition, contracts, interns, residents etc.

FY21 Operating Budget Risks

COVID

- Unknown student reaction towards either Fall scenario
- Potential for additional outbreak in the Fall even after students return for on-campus learning

State Support

- Mid year appropriation rescissions or fund sweeps

Fringe Costs

- Fringe benefit rates continue to rise, largely due to the State's unfunded pension liability and retiree health costs. UConn has no control over the rates, but must cover the associated costs with non-state funds (tuition and fees, research and clinical revenues)

Patient Revenue

- Payer mix and volume uncontrollable
 - Provider based reimbursement
 - Consolidation of other systems reducing outside referrals
 - DSS Supplement/Enhanced payments Federal match
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FY21 Deficit Mitigation Options

With deficit projections ranging from **\$47M to \$129M** for UConn Storrs/Regionals and **\$115M to \$188M** for UConn Health, we must consider numerous potential mitigation options.

- **New Revenue**
 - Entrepreneurial programs
 - Consolidate, modernize, and expand auxiliary services
- **Academic Program Review**
 - Larger class sizes
 - Elimination/reduction of programs with low enrollment
- **Athletics**
 - Subsidy reduced by 25% (\$10M over 3-5 years)
- **Labor Expense Reductions**
 - Pay raise deferrals
 - Furloughs / layoffs

Academic Savings

Budget decisions should be driven by our upcoming strategic plan and a metrics-driven approach at multiple levels

- **Schools/Colleges**

- Consideration of a new budget model that allocates resources based on priorities and outcomes in key areas:
 - Student success
 - Research
 - Diversity, equity, and inclusion
 - Responsible use of resources

- **Academic Departments and Programs**

- Deans will make challenging decisions about their academic programs, which will be evaluated using metrics below and benchmarked against disciplinary peers at other institutions:
 - Instructional costs per credit hour
 - Teaching load
 - Research productivity

- **Center and Institutes (C/I)**

- Moving towards return on investment expectations for C/I
- Instituting regular review process with clear outcomes and plans for sun-setting

UConn

Storrs & Regionals

Operating & Capital Budgets

Balancing the Budget (Pre-COVID)

UConn has resolved past budget gaps mostly through department rescissions, but these cut into core operations, affecting productivity. In last 4 years, academic and administrative areas have been cut by **\$92M**.

Deficit Mitigation (in millions)				
Strategy	FY18	FY19	FY20	FY21
Original Deficit (Pre-COVID)	\$ (39.1)	\$ (33.5)	\$ (40.5)	\$ (42.6)
Approved tuition increase; net of financial aid	\$ 14.2	\$ 16.7	\$ 17.2	\$ 10.6
State reimbursement of SEBAC payments		8.4		
Additional revenues	2.0			
Budget cuts allocated to departments (Includes attrition, efficiency gains, operational reductions)	25.3	14.4	28.0	25.0
Budget Gap resolutions	\$ 41.5	\$ 39.5	\$ 45.2	\$ 35.6
Net Gain / (Loss)	\$ 2.4	\$ 6.0	\$ 4.7	\$ (7.0)
Additional attrition/expense savings expected throughout the year				7.0
				\$ -

*FY21 Key Budget Assumptions (Pre-COVID)

- Flat State Appropriation (with CBI's)
- BOT approved tuition plan
- 5.5% CBI's for faculty and staff (Mgmt at 0%)
- 1.5% fringe rate increase
- 3% and 4% departmental budget rescissions
- Flat room and board rates

FY21: Fall Scenarios

Given uncertainty, we are planning based on multiple budget scenarios for FY21. The best case scenario is based on strong deposits at June 1 deadline.

In Millions (\$M)	A. On Campus Best Case (INT -74%; OSS +64%)	B. On Campus Mid Case (INT -40%; OSS -7%)	C. All Online Worst Case (INT -65%, OSS -50%)
FY21 existing deficit	7.0	7.0	7.0
COVID impact:			
Loss of in-state students (CT)	8.2	8.7	6.1
Loss of international students (INT)	12.9	9.4	13.5
Loss of domestic out-of-state students (OSS)	(9.9)	6.3	18.1
Lost housing revenue (net)	14.3	24.6	45.9
Lost dining revenue (net)	2.2	7.8	12.0
Lost fees	2.0	1.0	26.0
Reduced State Support	9.8	-	-
COVID impact	39.5	57.8	121.6
Total Budget Impact - FY21	\$46.6	\$64.8	\$128.6

FY21 Assumptions

- Enrollment assumptions in best case based on remediation strategy and confirmed by June 1 deposits. Middle/worst case assumptions are theoretical

New students	On-campus Best Case	On-campus Mid Case	Online Worst Case
In-state	+1%	-5%	-5%
Out-of-state	+64%	-7%	-40%
International	-74%	-50%	-65%

- Residential assumptions based on social distancing policy

	On-campus Best Case	On-campus Mid Case	Online Worst Case
Housing	-25%	-55%	-100%
Dining contracts	-50%	-66%	-100%

UConn FY21 Budget Scenarios

UConn is monitoring various scenarios and developing strategies to mitigate the impact under each scenario.

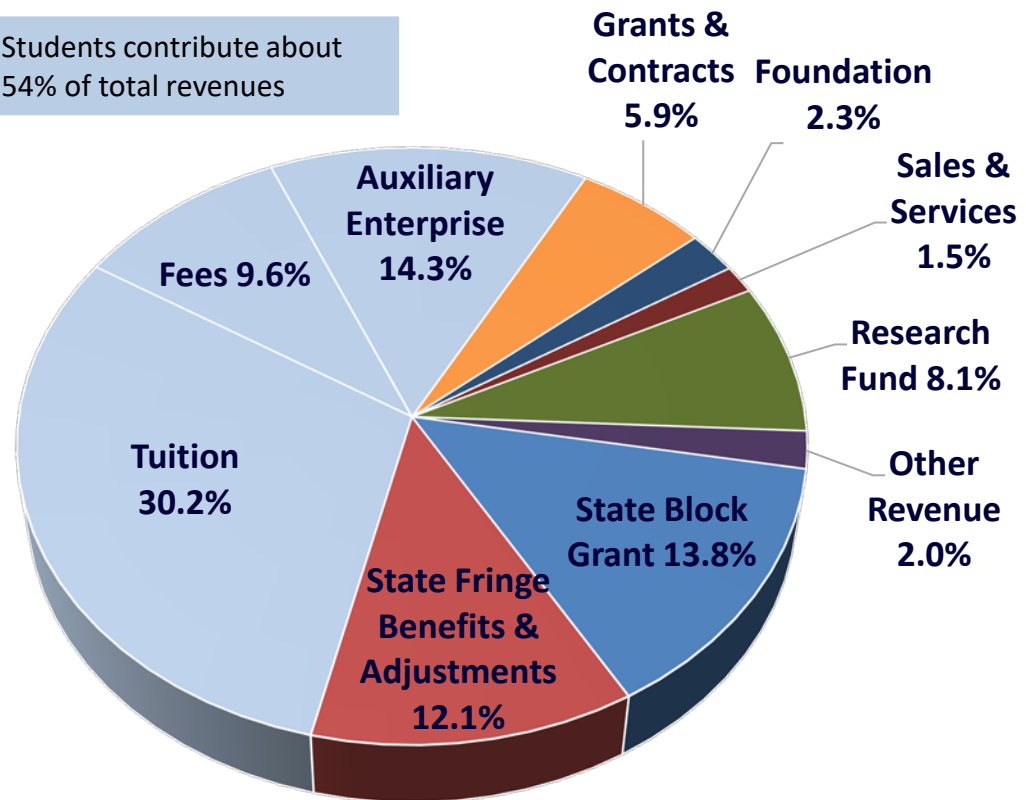
	FY19 Actuals	FY20 Forecast	FY21 Budget (Pre-Covid)	FY21 Budget Covid On-Campus Best Case	FY21 Budget Covid On-Campus Mid Case	FY21 Budget Covid Online Worst Case
Revenues:						
State Support	\$ 356.7	\$ 369.3	\$ 397.0	\$ 387.1	\$ 397.0	\$ 397.0
Tuition	426.4	445.9	462.0	450.8	437.6	424.3
Mandatory/Course Fees	137.7	146.7	147.7	145.7	146.7	121.7
Grants & Contracts	88.4	87.9	90.6	90.6	90.6	90.6
Auxiliary Enterprise	218.9	184.4	219.4	202.9	187.0	161.5
Other Revenue (incl Foundation reimb.)	85.3	101.4	88.6	88.6	88.6	88.6
Research Fund	122.2	123.3	126.9	124.3	124.3	124.3
Total Revenues	\$ 1,435.5	\$ 1,458.8	\$ 1,532.2	\$ 1,490.0	\$ 1,471.8	\$ 1,408.0
Expenditures:						
Salaries & Wages	501.2	524.2	548.3	548.3	548.3	548.3
Fringe Benefits	285.9	305.1	326.2	326.2	326.2	326.2
Other Expenses (incl energy/equip.)	281.7	278.5	296.4	296.4	296.4	296.4
Student Financial Aid	188.2	213.6	211.9	211.9	211.9	211.9
Projects/Debt	49.6	30.8	30.5	30.5	30.5	30.5
Research Fund	122.4	123.3	125.9	123.3	123.3	123.3
Total Expenditures	\$ 1,429.0	\$ 1,475.5	\$ 1,539.2	\$ 1,536.6	\$ 1,536.6	\$ 1,536.6
Net Gain/Loss	\$ 6.5	\$ (16.7)	\$ (7.0)	\$ (46.6)	\$ (64.8)	\$ (128.6)

FY21 Revenue by Category

The University relies more on tuition than any other revenue source at nearly 30%. State support in the form of the block grant is only 13.8% of total revenues, and when combined with the State fringe reimbursement, only accounts for 26% from the State.

Revenues (\$M)	
State Block Grant	211.3
State Fringe Benefits & Adjustments	185.7
Total State Support	\$ 397.0
Tuition	462.0
Mandatory/Course Fees	147.7
Grants & Contracts	90.6
Foundation/Endowment	34.6
Sales & Services	23.1
Auxiliary Enterprise	219.4
Other Revenue	30.9
Total Operating Fund	\$ 1405.3
Research Fund	126.9
Total Revenues	\$ 1532.2

Students contribute about 54% of total revenues



Note: Use of decimals may result in rounding differences.

FY21 Expense by Category

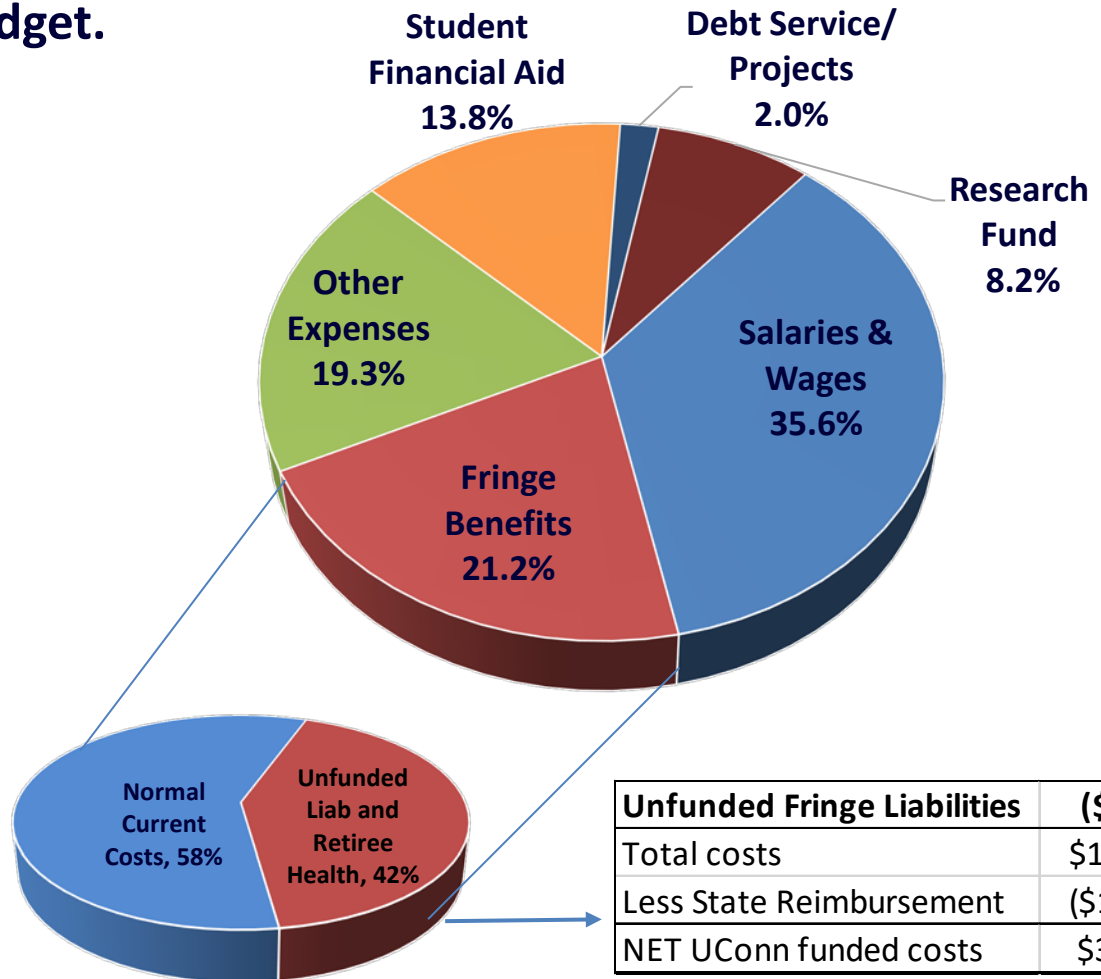
Salary and fringe benefit costs, primarily due to the state's unfunded legacy costs, are growing at a significant pace and account for over 57% of the University's operating budget.

Expenditures (\$M)

Salaries & Wages	548.3
Fringe Benefits	326.2
Other Expenses	249.8
Energy	21.5
Equipment	25.1
Student Financial Aid	211.9
Debt Service	21.3
Capital Projects	9.2
Total Operating Fund	\$ 1413.3

Research Fund	125.9
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Total Expenditures	\$ 1539.2
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Note: Use of decimals may result in rounding differences.

Financial Aid

UConn is doing its part to ensure access and affordability by increasing financial aid support. The Federal CARES act provided an additional \$10.75M to allocate to students in FY20

- University Supported aid has increased 25% over the last 3 years
- 63% of all undergraduates are receiving some form of gift aid
- 77% of gift aid for undergraduates is utilized to cover financial need

Undergraduate & Graduate Aid (\$M)	FY18	FY19	FY20 Forecast	FY21 Budget	FY18-FY21 Change
University Supported*	\$119.5	\$129.2	\$141.6	\$149.3	\$29.8
State (includes R. Willis Scholarship)	8.9	9.0	9.7	9.7	0.8
Federal (Pell/SEOG)	31.2	35.3	46.1	35.1	3.9
Other**	10.6	14.8	16.4	17.6	7.0
Total Aid in Budget	\$170.2	\$188.3	\$213.9	\$211.7	\$41.5

*University Supported includes undergraduate and graduate aid funded by tuition, departmental revenue, and work study.

**Other funding comes from the private sources such as the Foundation and Endowments.

Capital Program Challenges

Instability in economy is contributing to workforce, supply chain and funding uncertainty

- COVID has created capital program risks and challenges that could result in project delays
 - Potential for workforce limitations, interruptions or unavailability – job site safety is highest priority
 - Unknown impact to supply chain for select materials
 - Future State funding is not guaranteed
- Project delays result in increased costs and reduced project scopes; current construction cost annual escalation estimated @ 4%
- Action plan:
 - Communicate major capital project status to State leaders to ensure that the essential future year funding remains intact
 - Focus on minimizing active project delays and rebidding select projects to take advantage of current market

Capital Budget Plan

UCONN 2000 Bond Funded Projects (in millions)		Prior Auth	FY21	FY22-FY27	Budget	Status for FY21
Science Program	NW Quad: Gant Science Building Renovation	\$140.2	\$29.6	\$78.2	\$248.0	Construction
	NW Quad: STEM Research Center Science 1*	51.0	92.0	77.0	220.0	Construction
	NW Quad: Science Program Utility Plant & Infrastructure*	84.4	75.7	27.9	188.0	Construction
	Engineering Lab Renovations	3.0	1.0	1.0	5.0	Design/Construction
	Classroom & Lab Renovations	8.6	4.3	64.4	77.2	Design/Construction
	Torrey Demolition			12.5	12.5	Planning
	Major Equipment (Faculty Start-up)	14.42	4.8	28.8	48.0	Ongoing
	Total Science Program		\$207.3	\$289.8		
Academic	Classroom & Lab Renovations	8.6	7.4	35.4	51.4	Design/Construction
	Major Equipment (Faculty Start-up, ITS)	26.4	4.6	18.0	49.0	Ongoing
	Total Academic Priorities		\$12.0	\$53.4		
Deferred Maintenance	Watershed Compliance	0.8	3.7	0.0	4.5	Design/Construction
	Historic Buildings Exterior Repairs (per SHPO agreement)	0.8	2.0	3.7	6.5	Design/Construction
	Pedestrian Safety Improvements	2.3	2.4	2.2	6.8	Design/Construction
	Wastewater Treatment Plant (Sewage) Repairs			35.0	35.0	Planning
	Deferred Maintenance-All Campuses	76.5	20.3	74.1	170.9	Design/Construction
	Total Deferred Maintenance		\$28.4	\$115.0		
Other/Contingency			12.4	21.2		
Total UCONN 2000 Bond Funded Projects for NextGenCT		\$1,348.7	\$260.0	\$479.3	\$2,087.9	
University Funded Projects						
DM	Facilities Repairs & Improvements	98.9	7.0	68.1	174.0	Design/Construction
Academic	Programmatic Renovations		5.0	58	63.0	Design/Construction
Other	Athletic Stadia	78.6	18.0	0.0	96.6	Construction
	Hockey	15.0	20.0	33.0	68.0	Construction
	Other/Contingency		5.0	21.6		
Total University Funded Projects**		\$192.5	\$55.0	\$180.7	\$428.2	
Grand Total Capital Budget**		\$1,541.2	\$315.0	\$659.9	\$2,516.1	

*Project is or is anticipated to be constructed under a Project Labor Agreement.

**Excludes other project funds not part of the Next Generation Connecticut initiative or previously approved.

FY21 Capital Budget by Fund Source

86% of the \$315M capital budget will provide funding for active construction projects, with the remaining 14% dedicated to planning and design

Academic & Research Facilities	\$125.6	Gant Science Building Renovation, STEM Science 1 Building
Infrastructure DM	78.6	Science Program Utilities, Supplemental Utility Plant, Central Utility Plant
Other DM	37.8	Programmatic Renovations, Pedestrian Safety Improvements, Contingency
Equipment	13.0	Faculty start-up/research, IT network
Residential Life	5.0	Repairs & Renovations
UCONN 2000 State Bonds	\$260.0	
University Funds	55.0	Facilities & Infrastructure Repairs, Academic Renovations, Athletics
Total Capital Budget	\$315.0	All capital projects costing \$500K or more are submitted for Board action on a project by project basis

Capital Program Summary

In spite of the negative COVID impacts, UConn will continue to complete projects within the Capital Program

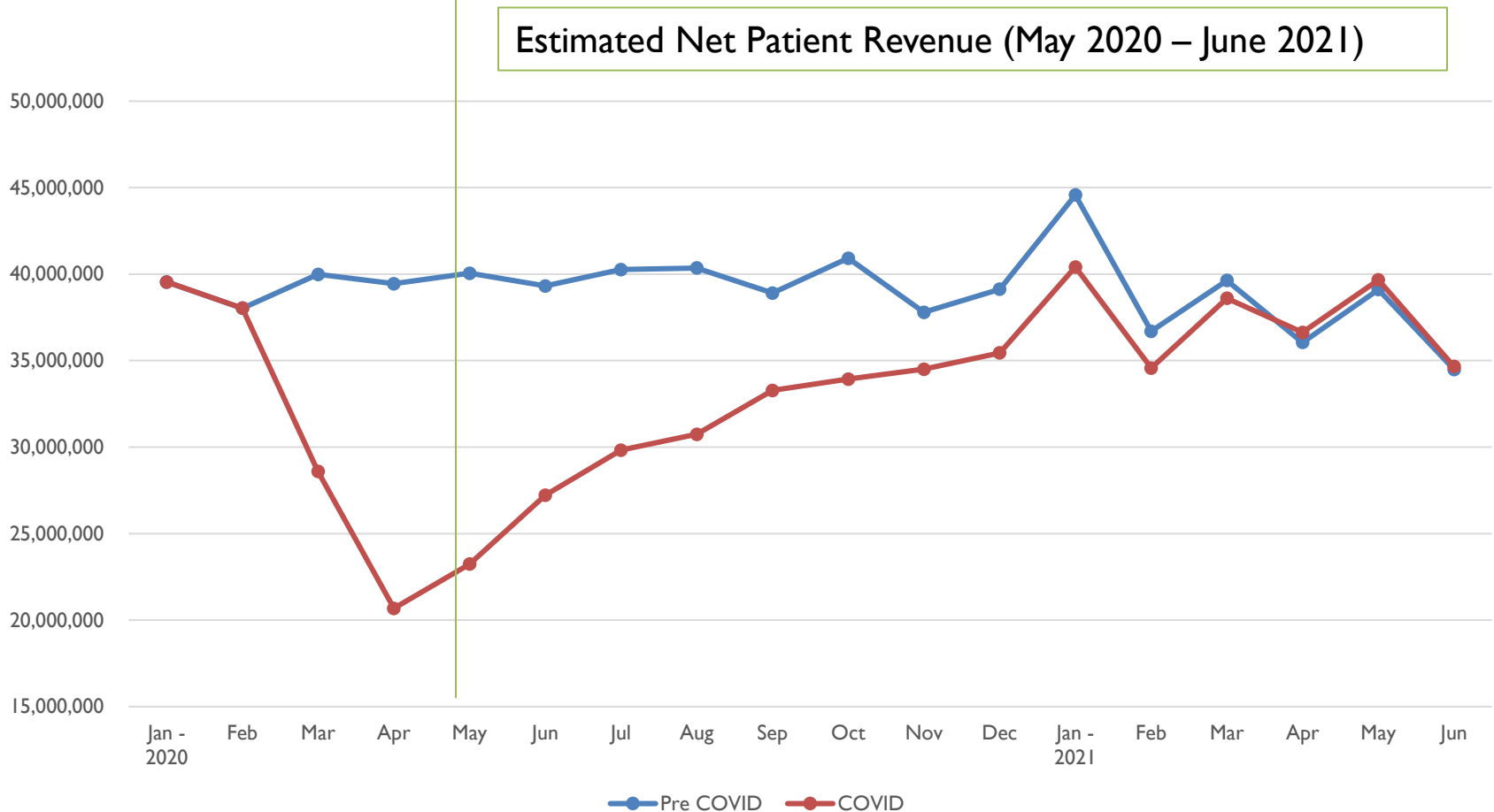
- State bond funding currently in statute will support the NextGenCT Science Program as well as other required infrastructure projects
- While future year State bond funding is not guaranteed, UConn continues to work with the State to communicate project funding requirements
- UConn will identify funding strategies to mitigate the negative impacts of any COVID related cost or delays while limiting the impact to the strained operating budget
- Construction begins on the NW Quad Science projects which accomplishes the simultaneous goals of assisting in the State's economic recovery from the COVID crisis, as the construction value of these projects supports the creation and/or preservation of thousands of jobs, as well as working towards the University's goal of doubling research

UConn Health

Operating Budget

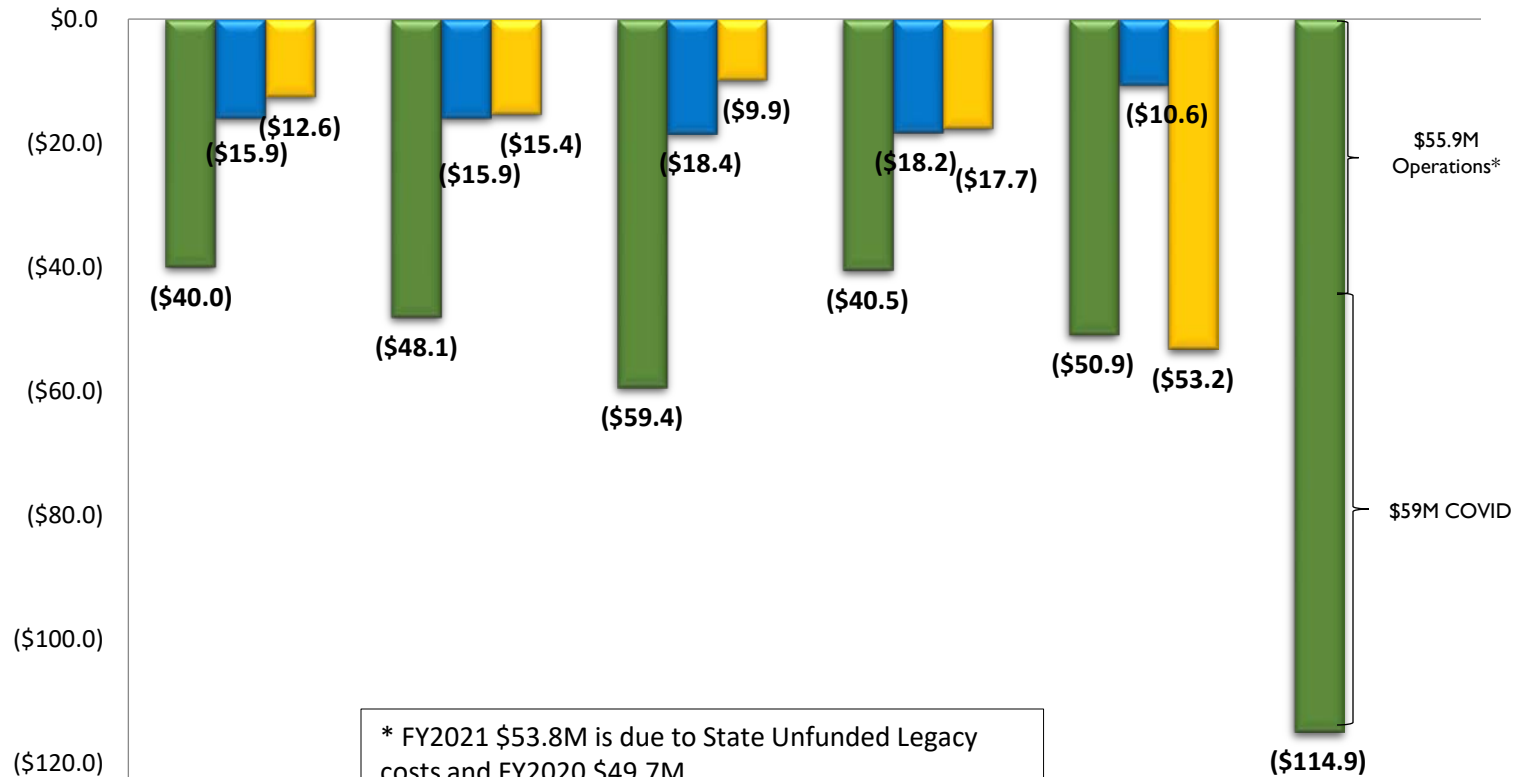
FY 21 Assumptions

Net Patient Revenue (per month)



- The reduction of Net Patient revenue is the main driver of the FY 21 UCH deficit.

Forecast (with COVID)



	FY16	FY17	FY18	FY19	FY20	FY21
Original Projection w/o Intervention	(\$40.0)	(\$48.1)	(\$59.4)	(\$40.5)	(\$50.9)	(\$114.9)
Final Budget	(\$15.9)	(\$15.9)	(\$18.4)	(\$18.2)	(\$10.6)	
Actuals/Forecast FY20 (with COVID)	(\$12.6)	(\$15.4)	(\$9.9)	(\$17.7)	(\$53.2)	

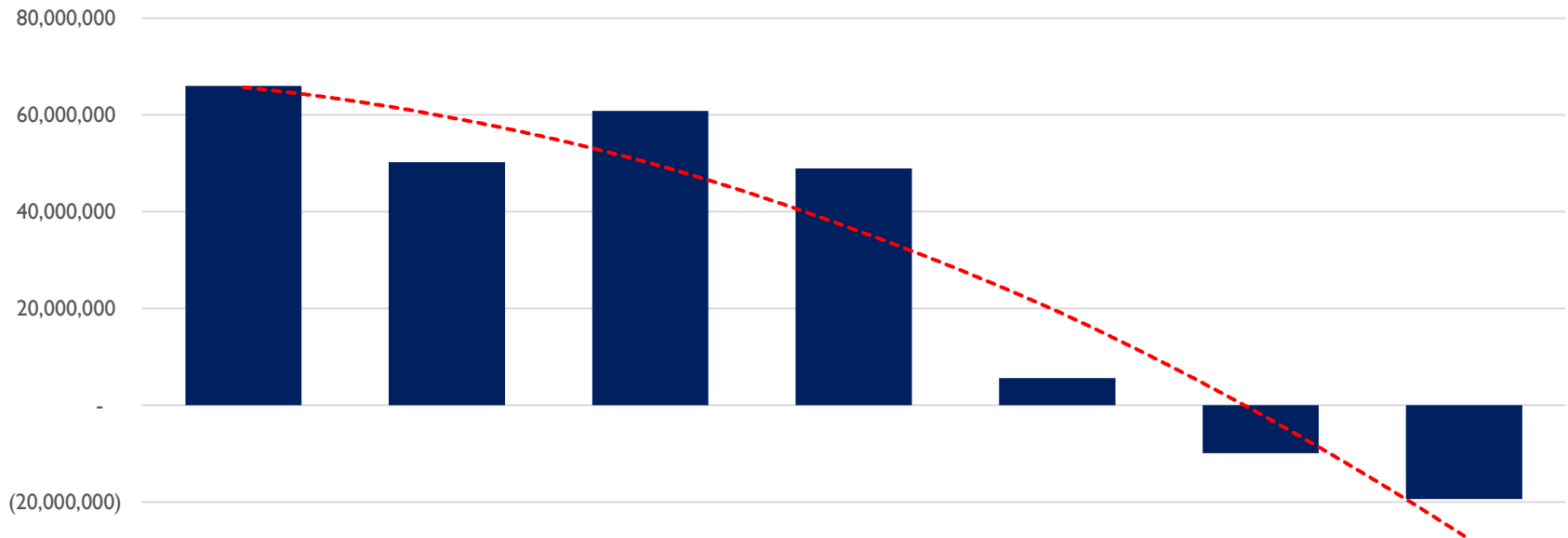
Fiscal Year 2020 Actuals vs. Fiscal Year 2021 Proposed Budget - With COVID

	Fiscal Year 2020	Fiscal Year 2021		
	Actuals	Proposed Budget	Variance	% Variance
<u>Revenues:</u>				
Tuition and Fees	\$ 29.2	\$ 29.7	\$ 0.4	1.5%
Grants & Contracts	83.8	89.4	5.6	6.3%
Interns/Residents	71.5	77.7	6.2	8.0%
Net Patient Revenue	501.9	531.4	29.5	5.5%
Other Revenue	177.1	172.3	(4.8)	-2.8%
Total Revenue	\$ 863.6	\$ 900.5	\$ 36.9	4.1%
<u>Expenses:</u>				
Personal Services	\$ 441.6	\$ 475.3	\$ 33.7	7.1%
Fringe Benefits	276.0	309.9	33.9	11.0%
Drugs/Medical Supplies	128.9	133.4	4.5	3.4%
Resident and Fellow house staff	58.0	61.8	3.8	6.1%
Utilities	13.4	15.0	1.5	10.3%
Interest Expense on Debt Service	9.3	9.2	(0.2)	-2.0%
Other Expenses	253.6	256.3	2.7	1.1%
Depreciation	29.6	30.0	0.4	1.2%
Total Expenses	\$ 1,210.4	\$ 1,290.8	\$ 80.4	6.2%
<u>Excess/(Deficiency) of Revenues over Expenses</u>	\$ (346.9)	\$ (390.3)	\$ (43.4)	11.1%
Block Grant	\$ 128.0	\$ 132.9	\$ 5.0	3.7%
Fringe Reimbursement	132.5	142.4	9.9	7.0%
Additional Support-State Unfunded legacy costs	33.2	-	(33.2)	-100.0%
Total State Support	\$ 293.7	\$ 275.3	\$ (18.3)	-6.7%
<u>Excess/(Deficiency)</u>	\$ (53.2)	\$ (114.9)	\$ (61.8)	-53.7%

Cash

UConn Health April to September Cash Balance Projections

March Actual, April-September estimated



	3/31/2020	4/30/2020	5/31/2020	6/30/2020	7/31/2020	8/31/2020	9/30/2020
■ Cash Balance	66,011,075	50,246,454	60,822,111	48,930,646	5,598,550	(9,910,334)	(19,410,334)

- These estimates include a pending \$31M loan from the federal Medicare Accelerated Payment Program. If this loan is not approved, UCH will go cash negative by the end of July.

FY21 Revenue by Category

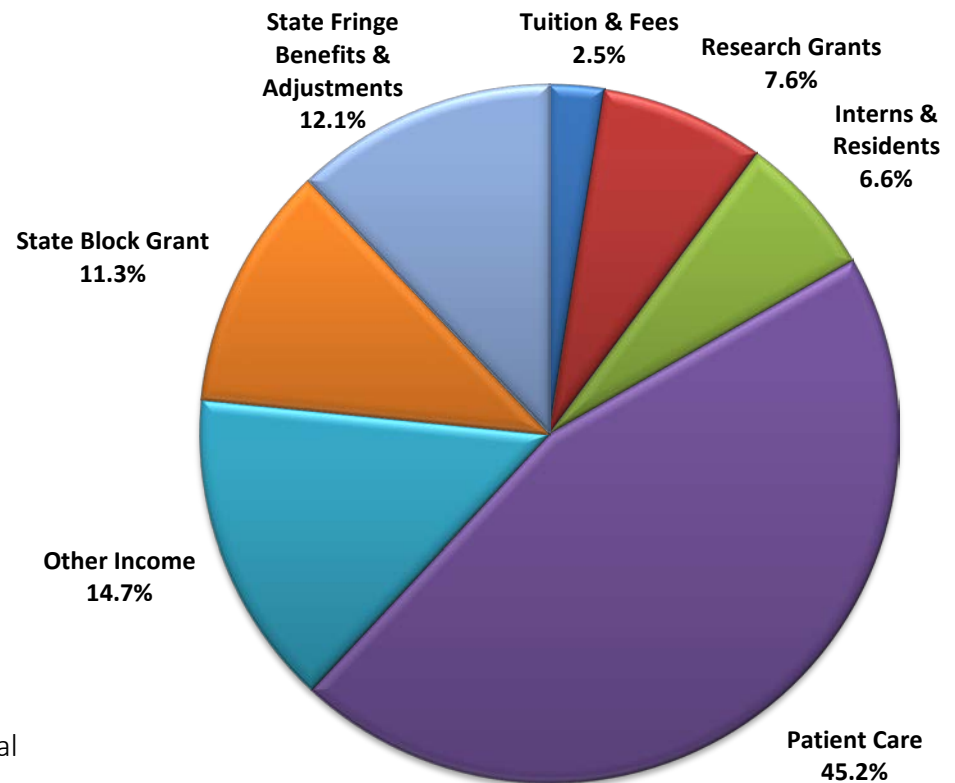
With COVID

Patient Care Revenue represents 45% of total revenue for UConn Health; State support in the form of the block grant is only 11% of total revenues, and when combined with the State fringe reimbursement, only accounts for 23% from the State.

Revenue (\$M)	
State Block Grant	132.9
State Fringe Benefits & Adjustments	142.4
Total State Support	\$ 275.3
Tuition	29.7
Grants & Contracts	89.4
Interns/Residents	77.7
Net Patient Revenue	531.4
Other Revenue*	172.3
Total Revenues	\$ 1,175.9

* Other Revenue includes auxiliary services, gifts/endowments, external contract revenue and internal income (offset by internal expense)

Note: Use of decimals may result in rounding differences.

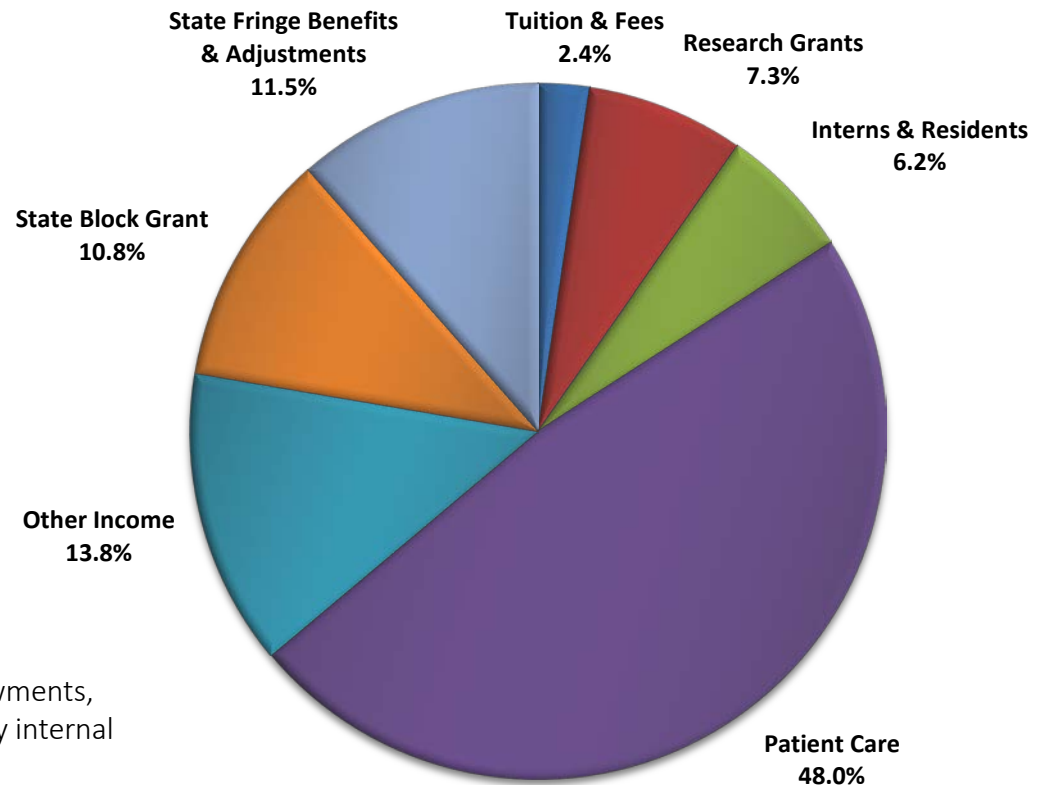


FY21 Revenue by Category

Without
COVID

Patient Care Revenue represents 48% of total revenue for UConn Health; State support in the form of the block grant is only 11% of total revenues, and when combined with the State fringe reimbursement, only accounts for 22% from the State.

Revenue (\$M)	
State Block Grant	135.9
State Fringe Benefits & Adjustments	143.9
Total State Support	\$ 279.7
Tuition	29.7
Grants & Contracts	91.8
Interns/Residents	77.7
Net Patient Revenue	601.6
Other Revenue*	172.3
Total Revenues	\$ 1,252.9



* Other Revenue includes auxiliary services, gifts/endowments, external contract revenue and internal income (offset by internal expense)

Note: Use of decimals may result in rounding differences.

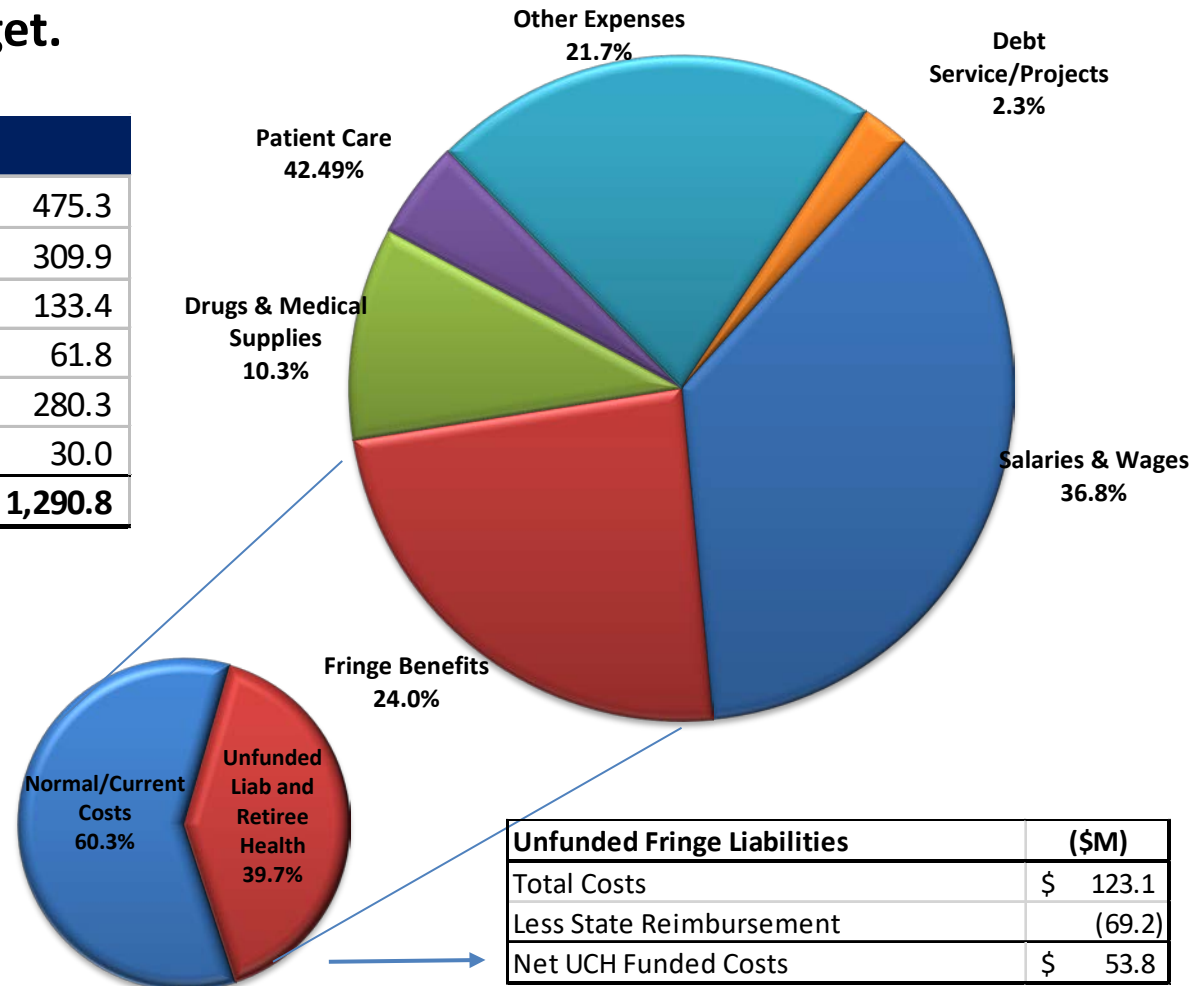
FY21 Expense by Category

With COVID

Salary and fringe benefit costs, primarily due to the state's unfunded legacy costs, are growing at a significant pace and account for over 60% of the University's operating budget.

Expenditures (\$M)	
Salaries & Wages	475.3
Fringe Benefits	309.9
Drugs & Medical Supplies	133.4
Resident and Fellow house staff	61.8
Other Expenses*	280.3
Debt Service/Projects	30.0
Total Expenditures	\$ 1,290.8

* Other Expenses includes utilities, data processing hardware/software licenses/maintenance agreements, food service, rent, telephone services, internal expense (offset by internal income) and other outside purchased services.



Note: Use of decimals may result in rounding differences.