

**University of Connecticut
Storrs & Regional Campuses
FY 2014 Budget Review (unaudited)**

The following narrative and schedule provide information on the main drivers of the University of Connecticut operating budget. The amounts presented here are forecasts subject to year-end closeout and audit adjustments.

- **Total Revenue** – For the year ended June 30, 2014, total Operating and Research Fund revenues are forecasted to be \$1,111.2 million or \$15.4 million more than budgeted. The Operating Fund is expected to have a positive variance from budget of \$9.9 million and the Research Fund is expected to have a positive variance from budget of \$5.5 million.
 - **State Support** – State support is \$307.7 or 0.4% more than budget due to slightly higher fringe benefit return. State support represents 27.7% of total revenues.
 - **Tuition & Fees** – Total Tuition & Fee revenue is \$398.9 million or 0.7% more than budget. Revenue collections reflect a 6.25% rate increase coupled with a 1.4% increase in the number of undergraduate degree-seeking students who account for approximately 87.2% of budgeted tuition revenues.
 - **Grants & Contracts** – This category is \$82.1 million or 0.5% more than budget due to additional federal financial aid grants.
 - **Sales & Service Education** – Due to less activity in educational activities, Sales & Service Education revenue is \$0.6 million less than budget.
 - **Auxiliary Enterprise Revenue** – This category is \$200.2 million or \$4.3 million more than budget primarily due to higher enrollment and full occupancy rates in student housing than anticipated in the budget.
 - **Other Revenue** – Revenues from other sources is \$9.5 million or \$1.9 million more than budget due to higher royalties and patents, conference services and rental property income.
 - **Research Fund** – This category is \$96.0 million or 6.1% more than budgeted. Due to uncertainty related to Federal sequestration and the American Recovery and Reinvestment Act awards, the FY14 research budget was conservative. However, the forecasted revenues reflect activity similar to FY13.
- **Total Expenditures** – Total Operating and Research Fund expenditures are forecasted to be \$1,136.4 million. Operating Fund expenditures are over budget by \$2.0 million and Research Fund expenditures are over by \$7.7 million.
 - **Salaries, Wages & Benefits** – This category is \$673.0 million or \$7.2 million more than budget. Employee benefits are greater than budget because employee healthcare and retirement elections. In addition, the University obligation for graduate health insurance costs as a result of the University being self-insured was much more costly than budgeted.

- **Other Expenses** – This category is \$182.9 million or 2.5% more than budgeted. This is attributed to increases in spending for technology purchases and faculty start-up expenses.
- **Energy** – Energy costs are \$1.0 million less than budget due to favorable prices, as a result of the reverse energy auction.
- **Equipment** - Equipment expenditures are \$6.6 million or \$12.4 million less than budget due to decreased spending in both academic and auxiliary areas and increased use of non-operating funds for equipment purchases.
- **Debt Service** – Payments for bonds and the installment loan as well as the capital lease for the Cogeneration plant will be slightly less than budgeted.
- **Projects** - The Projects category is \$3.3 million over budget due to additional funds set-aside for new capital projects for Dining Services and Residential Life.
- **Research** – Research expenditures are \$7.7 million more than budget. As previously stated, while the research budget was conservative, the forecasted expenditures reflect activity similar to FY13.
- **Net Loss** – For the year ended June 30, 2014, the University forecasts a loss of \$25.2 million. Prior year funds will be used to fund this loss.

**University of Connecticut
Storrs & Regional Campuses**

FY14 Statement of Current Funds Budget Operations¹ and Variance (\$M)

Current Funds Revenues:	<u>Budget</u>	<u>Forecast</u>	<u>Variance</u>	<u>% Change</u>
Operating Fund				
State Support	\$306.6	\$307.7	\$1.1	
Tuition	288.6	291.2	2.6	
Fees	107.6	107.7	0.1	
Grants & Contracts	62.9	65.1	2.2	
Foundation	18.8	17.0	(1.8)	
Investment Income	0.6	0.7	0.1	
Sales & Service Education	16.7	16.1	(0.6)	
Auxiliary Enterprise Revenue	195.9	200.2	4.3	
Other Revenue	<u>7.6</u>	<u>9.5</u>	<u>1.9</u>	
Total Operating Fund	\$1,005.3	\$1,015.2	\$9.9	1.0%
Research Fund	<u>90.5</u>	<u>96.0</u>	<u>5.5</u>	6.1%
Total Current Funds Revenues	\$1,095.8	\$1,111.2	\$15.4	1.4%
Current Funds Expenditures:				
Operating Fund				
Salaries & Wages	\$462.8	\$460.7	(\$2.1)	
Fringe Benefits	203.0	212.3	9.3	
Other Expenses	178.4	182.9	4.5	
Energy	22.2	21.2	(1.0)	
Equipment	19.0	6.6	(12.4)	
Student Financial Aid	130.8	131.6	0.8	
Debt Service	18.7	18.3	(0.4)	
Projects	<u>0.3</u>	<u>3.6</u>	<u>3.3</u>	
Total Operating Fund	\$1,035.2	\$1,037.2	\$2.0	0.2%
Research Fund	<u>91.5</u>	<u>99.2</u>	<u>7.7</u>	8.4%
Total Current Funds Expenditures	\$1,126.7	\$1,136.4	\$9.7	0.9%
Prior Year Funds	<u>30.9</u>	<u>25.2</u>	<u>(5.7)</u>	
Net Gain (Loss)	<u>\$0.0</u>	<u>(\$0.0)</u>	<u>(\$0.0)</u>	
Net Loss Operating Fund	(\$29.9)	(\$22.0)	\$7.9	
Net Loss Research Fund	(\$1.0)	(\$3.2)	(\$2.2)	

¹ The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format. The current funds format shows gross student tuition and fees and does not net out scholarship allowances, as required in the financial statements which are prepared in the GASB Nos. 34/35 format. Scholarship allowances are shown as an expense item. In addition, the University's current funds format includes equipment purchases as an expense, does not include depreciation or amortization and does not include the State debt service commitment for principal and interest.

UConn Health

FY 2014 Budget Review (unaudited)

The following narrative and chart provide information on the main drivers of UConn Health's financial results. The amounts presented here are forecasts subject to year-end closeout and audit adjustments.

- **Executive Summary** – The FY14 forecast is impacted negatively by lower than expected net patient care revenue, higher expenditures for fringe benefits costs and an increase in medical supplies and drug costs. On the positive side, expense savings for salaries, outside purchased services, repairs and maintenance and depreciation are forecasted to be achieved or under budget.

The overall loss for Fiscal Year 2014 is forecasted to be \$15.7 million. The following explanations exclude discussion of Correctional Managed Health Care. Any savings achieved by CMHC flow to the Department of Corrections and have no impact on UCH.

- **Total Revenue** – For the year ended June 30, 2014, total revenues including total “State support” are forecasted to be \$871.5 million. Total revenue is forecasted to be below budget projections by about \$13.4 million or 1.5%. Negative results in net patient care revenue is the primary driver for the overall difference.
 - **Research** – Forecasted research revenues, for the year ended June 30, 2014, are unfavorable to budget by \$1.2 million or 1.4%. The unfavorable variance to budget is caused by less Federal grant revenue.
 - **Net Patient Care Revenue** – For the year ended June 30, 2014, net patient care revenue is forecasted to be below budget by \$12.0 million. The variances by unit are as follows:
 - JDH - \$3 million below budget due to a decrease in volume and in reimbursement rates.
 - UMG - \$6.2 million below budget, which is attributable to a decrease in volume and the result of a higher proportion of Medicare and Medicaid (mix change) to total visits.
 - Dental Clinics and Ambulance service - \$2.8 million below budget which is mainly due to a decrease in volume.
 - **State Support** –The State support forecasted for FY14 totals \$210.6 million including the fringe benefit differential of \$13.5 million. The forecasted State support represents 24.2% of UCH revenues.
- **Total Expenditures** – For the year ended June 30, 2014, total expenditures are forecasted to be below budgeted amounts by \$8.7 million or 1.0%. The following are variances by categories of expense:
 - **Salaries & Wages** – For the year ended June 30, 2014, salaries & wages expenditures are forecasted to be below budget by \$4.2 million. This decrease is mainly attributed to management's review of new positions and refilling of vacancies.

- **Fringe Benefits** – For the year ended June 30, 2014, fringe benefit expenditures are forecasted to be above budget by \$1.2 million. The increase is attributable to a higher actual retirement rate charged by the Comptroller and the options for retirement selected by both new hires and employees who can convert to the new hybrid plan.
- **Other Expenses** – For the year ended June 30, 2014, other expenses are forecasted to be above budget by \$4.4 million or 16.1%. The major driver for this is research related subcontracts. This is offset by research revenue.
- **Outside & Other Purchased Services** – For the year ended June 30, 2014, outside and other purchased services are forecasted to be under budget by \$4.5 million or 7.7%. The decrease is attributable to John Dempsey Hospital's decreased contracts for marketing, legal services and a decrease in travel, dues and subscriptions.
- **Repairs and Maintenance** - For the year ended June 30, 2014, repairs and maintenance are forecasted to decrease by \$1.7 million due to construction on campus and only urgent maintenance is occurring.
- **Net Loss** – For the year ended June 30, 2014, the UConn Health is forecasting a loss of \$15.7 million.

UConn Health
FY14 Statement of Current Funds Budget Operations and Variance (\$M)

Current Funds Revenues:	<u>Budget</u>	<u>Forecast</u>	<u>Variance</u>	<u>% Change</u>
State Support	\$204.7	\$210.6	\$5.9	
Tuition and Fees	19.5	20.0	0.5	
Gifts, Grants & Contracts	94.4	92.9	(1.5)	
Interns & Residents	58.0	56.6	(1.4)	
Net Patient Care	379.0	367.0	(12.0)	
Correctional Managed Health Care	90.3	84.2	(6.1)	
Other Income	<u>39.0</u>	<u>40.2</u>	<u>1.2</u>	
Total Current Funds Revenues	\$884.9	\$871.5	(\$13.4)	-1.5%
Current Funds Expenditures:				
Salaries & Wages	\$356.1	\$351.9	(\$4.2)	
Fringe Benefits	167.6	168.8	1.2	
Medical Contractual Support	18.7	18.8	0.1	
Medical/Dental House Staff	47.6	47.7	0.1	
Correctional Managed Health Care	90.3	84.2	(6.1)	
Outside Agency Per Diem	1.8	1.5	(0.3)	
Drugs/Medical Supplies	64.6	69.5	4.9	
Utilities	11.8	11.3	(0.5)	
Outside & Other Purchased Services	58.2	53.7	(4.5)	
Insurance	5.2	4.9	(0.3)	
Repairs & Maintenance	12.4	10.7	(1.7)	
Other Expenses	27.3	31.7	4.4	
Depreciation	<u>34.3</u>	<u>32.5</u>	<u>(1.8)</u>	
Total Current Funds Expenditures	\$895.9	\$887.2	(\$8.7)	-1.0%
Net Loss	<u>(\$11.0)</u>	<u>(\$15.7)</u>	<u>(\$4.7)</u>	