

University of Connecticut (Storrs & Regional Campuses)

FY 2007 Budget Review

The following narration and schedule provide information on the main drivers of the University of Connecticut Storrs-based operating budget. The amounts presented here are subject to year-end closing and audit adjustments.

- ✦ **Total Revenue** – For the year ended June 30, 2007, total Operating and Research Fund revenues are forecasted to be \$859.2 million or 0.5% more than budgeted. The Operating Fund has a positive variance from budget of \$4.3 million. This is primarily due to positive variances in State support of \$2.1 million (additional support for Early Retirement Incentive Plan sick/vacation payouts and accruals associated with the general fund appropriation), Fees of \$2.5 million, Investment Income of \$1.7 million and Sales & Service of Education Activities of \$1.2 million. This is offset by projected negative variances of \$0.2 million in Tuition, \$0.9 in Grants & Contracts, \$2.5 million in Auxiliary Enterprises and \$0.1 million in Research Fund revenues.
- ✦ **Tuition Revenue** – Total net tuition revenue is forecasted to be \$179.4 million which is essentially on budget. Fall 2006 enrollment for total undergraduate degree-seeking students was up 1.8% compared to Fall 2005. The tuition revenue budgeted was based on a 5.9% rate increase. Undergraduate enrollment generates approximately 86.9% of actual tuition revenues.
- ✦ **Investment Income** – Investment income is forecasted to exceed the FY07 budget with revenues of \$10.8 million. In order to ensure compliance with the new statutory language, Investment income revenue of approximately \$3.0 million will be transferred to Plant Funds to provide partial funding to address code violations. This amount is included in the transfers line.
- ✦ **Total Expenditures** – Total Operating and Research Fund expenditures/transfers are forecasted to be \$853.4 million and are less than budgeted. Operating Fund expenditures are under budget by \$1.0 million and Research Fund expenditures are under budget by \$1.6 million.
- ✦ **Personal Services Expenditures** – Operating Fund Personal Services expenditures (including fringe benefits) are \$484.9 million or \$0.9 million under budget. Primarily as a result of internal reallocations, resources were identified to fund a net increase of 13 full-time faculty. In addition, full-time non-faculty staff increased by 79 positions for a total increase of 92 positions.
- ✦ **Equipment Expenditures** – Operating Fund Equipment expenditures are \$13.6 million or \$3.8 million more than budgeted. This includes approximately \$2.6 million of equipment encumbrances that were not spent in FY06.
- ✦ **Other Expense** – Operating Fund other expenses are forecasted to be under budget. This is primarily due to scheduling delays in several large Information Technology projects including the implementation of a new Human Resource system.
- ✦ **Energy** – Energy costs are under budget by approximately \$8.9 million. This is largely due to lower natural gas prices and because efficiencies have been realized with the Cogeneration plant. Also, after the budget was presented to the Board of Trustees, the University finalized negotiations with Connecticut Natural Gas which locked in rates lower than the rates used to build the energy budget.
- ✦ **Financial Aid Expenditures** – Financial Aid expenditures are \$76.6 million or \$4.6 million more than budgeted. The additional funds were necessary to meet the demands for need-based financial aid. 19.1% of actual tuition revenue was spent on need-based aid.
- ✦ **Transfers** – This line reflects transfers to Plant Funds for various building improvements, code related corrective action and bond and installment loan payments, as well as payments for the capital lease for the Cogeneration plant. Also, the Departments of Residential Life and Dining Services are expected to transfer more funds for repairs and renovations due to energy savings.
- ✦ **Net Gain (Loss)** – For the year ended June 30, 2007, there is a forecasted net gain of \$5.8 million. \$1.0 million of the net gain represents a reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union. \$3.3 million of the net gain represents unspent State appropriation funds for the Center for Entrepreneurship (\$1.3 million) and the Eminent Faculty (\$2.0 million) programs. The unspent funds will carry forward to Fiscal Year 2008 and be designated for these programs. Also included is a forecasted net gain of \$1.5 million in the Research Fund. The actual net gain (loss) will depend on year-end closing and audit adjustments.

University of Connecticut (Storrs & Regionals)
Statement of Current Funds Budget Operations¹ and Variance Analysis
FY07 (unaudited)
(Dollars in Millions)

	Budget	Forecast	Variance	% Change
Current Funds Revenues:				
Operating Fund				
State Support	\$305.8	\$307.9	\$2.1	
Tuition	179.6	179.4	(0.2)	
Fees	71.4	73.9	2.5	
Grants & Contracts	63.0	62.1	(0.9)	
Investment Income	9.1	10.8	1.7	
Sales & Service Education	13.6	14.8	1.2	
Auxiliary Enterprise Revenue	132.4	129.9	(2.5)	
Other Revenue	<u>10.1</u>	<u>10.5</u>	<u>0.4</u>	
Total Operating Fund	785.0	789.3	4.3	
Research Fund	<u>70.0</u>	<u>69.9</u>	<u>(0.1)</u>	
Total Current Funds Revenues	\$855.0	\$859.2	\$4.2	0.5%
Current Funds Expenditures / Transfers:				
Operating Fund				
Personal Services	\$367.6	\$361.8	(\$5.8)	
Fringe Benefits	118.2	123.1	4.9	
Other Expenses	146.0	139.9	(6.1)	
Energy	39.0	30.1	(8.9)	
Equipment	9.8	13.6	3.8	
Student Financial Aid	72.0	76.6	4.6	
Transfers	<u>33.4</u>	<u>39.9</u>	<u>6.5</u>	
Total Operating Fund	786.0	785.0	(1.0)	
Research Fund	<u>70.0</u>	<u>68.4</u>	<u>(1.6)</u>	
Total Current Funds Expenditures / Transfers	\$856.0	\$853.4	(\$2.6)	-0.3%
Net Gain (Loss)²	<u>(\$1.0)</u>	<u>\$5.8</u>	<u>\$6.8</u>	

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 and does not include the State debt service commitment for interest.

2 For the year ended June 30, 2007, there is a forecasted net gain of \$5.8 million. \$1.0 million of the net gain represents a reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union. \$3.3 million of the net gain represents unspent State appropriation funds for the Center for Entrepreneurship (\$1.3 million) and the Eminent Faculty (\$2.0 million) programs. The unspent funds will carry forward to Fiscal Year 2008 and be designated for these programs. Also included is a forecasted net gain of \$1.5 million in the Research Fund. The actual net gain (loss) will depend on year-end accruals and audit adjustments.

**University of Connecticut
(Storrs & Regional Campuses)**

	Fall 1995	Fall 1997	Fall 1998	Fall 1999	Fall 2000	Fall 2001	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006	Fall 95-06 Growth
Full-Time Staff Headcount*												
Executive/Administrative/Managerial	100	83	84	89	93	92	92	91	98	100	99	-1.0%
Executive/Administrative/Managerial-% of Total	2.6%	2.3%	2.2%	2.3%	2.4%	2.3%	2.3%	2.4%	2.4%	2.4%	2.3%	
Faculty	1,148	1,040	1,096	1,122	1,121	1,130	1,165	1,107	1,200	1,251	1,264	10.1%
Faculty-% of Total	30.1%	29.3%	29.2%	28.9%	28.5%	28.3%	28.7%	29.3%	29.9%	30.3%	29.9%	
Professional & Classified Support	2,562	2,429	2,576	2,678	2,720	2,776	2,797	2,584	2,717	2,779	2,859	11.6%
Professional & Classified Support-% of Total	67.3%	68.4%	68.6%	68.9%	69.2%	69.4%	69.0%	68.3%	67.7%	67.3%	67.7%	
Total	3,810	3,687	3,756	3,889	3,934	3,998	4,054	3,782	4,015	4,130	4,222	10.8%
*Based on IPEDS reporting standards.												
Student Headcount (Census)												
Undergraduate	14,667	14,382	14,855	15,741	16,681	17,630	18,662	19,287	20,151	20,525	20,784	41.7%
Graduate/Professional	7,804	6,867	6,543	6,500	6,254	5,950	6,711	6,869	6,943	7,073	7,210	-7.6%
Total	22,471	21,249	21,398	22,241	22,935	23,580	25,373	26,156	27,094	27,598	27,994	24.6%
Students Housed On-Campus	6,957	7,089	7,626	8,248	8,674	8,856	10,284	11,053	11,139	11,524	11,647	67.4%
Degrees Awarded												
Bachelor's	2,839	2,757	2,852	2,802	2,837	2,888	3,477	3,673	3,816	4,231	4,231	Spring 96-06 49.0%
Total	4,645	4,623	4,461	4,478	4,572	4,573	5,304	5,386	5,966	6,403	6,403	37.8%
State Funding												
Total State Support	\$183.1	\$204.2	\$213.2	\$234.9	\$238.4	\$259.4	\$260.9	\$256.5	\$273.1	\$285.7	\$307.9	68.2%
State Support as % of Revenues	43.1%	43.9%	44.1%	43.4%	41.1%	41.0%	39.0%	36.6%	35.8%	35.4%	35.8%	
Student Costs												
Tuition (In-State)	\$3,900	\$4,036	\$4,158	\$4,158	\$4,282	\$4,448	\$4,730	\$5,260	\$5,772	\$6,096	\$6,456	
Mandatory Fees	910	938	1,084	1,246	1,314	1,376	1,424	1,552	1,718	1,816	1,906	
Tuition & Mandatory Fees	\$4,810	\$4,974	\$5,330	\$5,404	\$5,596	\$5,824	\$6,154	\$6,812	\$7,490	\$7,912	\$8,362	73.8%
Tuition & Mandatory Fee Increases	2.08%	5.39%	1.68%	1.39%	3.55%	4.07%	5.67%	10.69%	9.95%	5.63%	5.69%	Compounded 5.4%
National Average Tuition & Mandatory Fees	\$2,811	\$2,975	\$3,247	\$3,362	\$3,508	\$3,766	\$4,098	\$4,645	\$5,126	\$5,492	\$5,836	107.6%
New England Average Tuition & Mandatory Fees	\$4,237	\$4,315	\$4,635	\$4,677	\$4,748	\$4,890	\$5,353	\$6,239	\$6,876	\$7,255	\$7,658	80.7%
Room & Board Rates	\$5,124	\$5,302	\$5,544	\$5,660	\$6,062	\$6,298	\$6,542	\$6,888	\$7,404	\$7,704	\$8,266	61.3%
National Average Room & Board Rates	\$3,847	\$3,989	\$4,172	\$4,340	\$4,669	\$4,966	\$5,174	\$5,520	\$5,796	\$6,156	\$6,483	68.5%
Total Student Costs	\$9,934	\$10,276	\$10,874	\$11,064	\$11,658	\$12,122	\$12,696	\$13,700	\$14,894	\$15,616	\$16,628	67.4%
Total Cost Increases	1.53%	3.44%	1.59%	1.75%	5.37%	3.98%	4.74%	7.91%	8.72%	4.85%	6.48%	Compounded 5.0%
National Average Total Student Costs	\$6,743	\$7,142	\$7,469	\$8,080	\$8,439	\$9,032	\$9,672	\$10,530	\$11,376	\$12,115	\$12,796	89.8%

University of Connecticut Health Center

FY 2007 Budget Review (unaudited)

The following narration and chart provide information on the main drivers of the University of Connecticut Health Center financial results for Fiscal 2007. The amounts presented here are subject to audit adjustments.

‡ **Executive Summary** - The factors affecting Fiscal Year 2007 results are: a decrease in net revenue per case at the hospital due to unfavorable shifts in payor mix and service mix (while the hospital experienced record volume and expense per adjusted discharge that was below budget); a decrease in Facilities and Administration Recovery amounts for research; a deficit in the Farmington Surgery Center prior to conversion to hospital-based status; interest expense (the State charges for funds fronted to cover the academic program negative cash position); and increases in utility costs and other expenses such as repairs, maintenance and depreciation.

The overall deficiency for Fiscal Year 2007 was projected at \$22.1 million, which was addressed by a state FY 07 deficiency appropriation of \$22.1 million.

‡ **Total Revenue** – For the year ended June 30, 2007, Total Revenues including total “State Support” were \$670.2 million. Total revenue was ahead of budget projections by about \$3.7 million or .6%. State Support from a deficiency appropriation was key. Negative results in Net patient Revenue was the primary driver for the overall deficit.

- **Research** – Research results for the year ended June 30, 2007, were unfavorable to budget by \$.7 million or .7%, an increase of \$400,000 (.4%) from the prior fiscal year. The unfavorable variance to budget is caused by higher than expected equipment purchases (to which an F& A rate is not applied).
- **Resident & Interns** – This category was above budget due to a higher number of residents; related program expenses were billed out at a higher than expected amount.
- **Other Revenues** – This category is below budget due to the losses from the Farmington Surgery Center prior to its conversion to a hospital-based program.
- **Net Patient Revenue** – For the year ended June 30, 2007, Net Patient Revenue was \$15.8 million or 5.2% under budget. John Dempsey Hospital was \$11.0 million below budget, with a decrease in net revenue per case at the hospital due to unfavorable shifts in payor mix and service mix (while the hospital experienced record volume and below-budget expense per adjusted discharge). In addition, UMG was short of budgeted revenues by \$1.5 million, the Dental Implant Center was not implemented (but budgeted at \$1.5 million) and the Dental Clinics were \$2.0 million below budgeted income projections.
- **Correctional Managed Healthcare (CMHC)** – The favorable variance of \$2.3 million represents a deficiency appropriation authorized by the legislature.
- **Investment Income** – The unfavorable variance is due to interest expense from the state charge for borrowing to pay bills while the academic program was in negative cash. This was partially offset by a higher interest earnings rate for the Short Term Investment Fund and an increased cash balance in the Malpractice Trust Fund.

- **Total State Support** – This includes the Block Grant and the amount of fringe benefits supported by the state. This category is favorable to the budget due to the deficiency appropriation of \$22.1 million.

± **Total Expenditures** – For the year ended June 30, 2007, Total Expenditures exceeded their budgeted amounts by about \$3.7 million or .6%, with energy and depreciation costs contributing to the problem. These items were offset by favorable variances in Provision for Bad Debts, Outside Agency, Drugs and Medical Supplies.

- **Energy** – For the year ended June 30, 2007, Energy expenditures were above budget by about \$4.1 million, or 30.3%, and above the prior year by 38.6%.
- **Depreciation** – For the year ended June 30, 2007, depreciation expense was above budget by about \$2.2 million or 8.8%.
- **Provision for Bad Debts**– For the year ended June 30, 2007, bad debt expense was under budget by \$400,000.
- **Drugs and Medical** – For the year ended June 30, 2007, drugs and medical expenses were below budget by \$2.1 million, or 3.2%.
- **Outside Agency** – For the year ended June 30, 2007, Outside Agency expenses were below budget by \$1.5 million, or 40.5%, and below last year by \$1.5 million. JDH and CMHC both managed this category to a favorable outcome.

± **Net Gain (Loss)** – For the year ended June 30, 2007, the Health Center projected a deficiency of \$22.1 million, which was addressed by a state deficiency appropriation of \$22.1 million.

University of Connecticut Health Center
Statement of Current Funds Budget Operations and Variance Analysis
FY07 Forecast (Unaudited)
(Dollars in Millions)

Current Funds Revenues:	Budget	Forecast	Variance	% Change
State Support	\$104.8	\$127.0	\$22.2	
Tuition	9.3	9.0	(0.3)	
Fees	5.5	5.2	(0.3)	
Gifts, Grants & Contracts	91.7	91.0	(0.7)	
Investment Income	2.7	2.2	(0.5)	
Interns & Residents	29.6	31.1	1.5	
Net Patient Care	306.3	290.4	(15.9)	
Correctional Managed Health Care	90.7	93.0	2.3	
Auxiliary Enterprise Education	17.1	14.9	(2.2)	
Other Revenue	<u>8.8</u>	<u>6.4</u>	<u>(2.4)</u>	
Total Current Funds Revenues	\$666.5	\$670.2	\$3.7	0.6%
Current Funds Expenditures / Transfers:				
Personal Services	\$331.1	\$330.8	(\$0.3)	
Fringe Benefits	92.7	93.5	\$0.8	
Drugs/Medical Supplies	73.1	69.5	(\$3.6)	
Medical Contractual Support	8.2	8.4	\$0.2	
Medical/Dental House Staff	32.6	32.6	\$0.0	
Outside Agency Per Diem	3.7	2.2	(\$1.5)	
Utilities	13.5	17.6	\$4.1	
Outside & Other Purchases	43.1	44.8	\$1.7	
Insurance	5.0	4.7	(\$0.3)	
Repairs & Maintenance	10.0	10.7	\$0.7	
Provision for Bad Debts	6.8	6.4	(\$0.4)	
Other Expenses	21.7	21.8	\$0.1	
Depreciation	<u>25.0</u>	<u>27.2</u>	<u>\$2.2</u>	
Total Current Funds Expenditures / Transfers	\$666.5	\$670.2	\$3.7	0.6%
Net Gain (Loss)	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	