

June 24, 2015

TO: Members of the Board of Trustees

FROM: Scott A. Jordan 
Executive Vice President for Administration and Chief Financial Officer

RE: Spending Plan for Fiscal Year 2016 for the University of Connecticut, Storrs & Regional Campuses

RECOMMENDATION:

That the Board of Trustees approve the Spending Plan for Fiscal Year 2016 of \$1,292.4 million for the University of Connecticut, Storrs and Regional Campuses.

BACKGROUND:

The Fiscal Year 2016 Spending Plan includes \$1,294.6 million of revenue, including State support of \$396.7 million to cover \$1,292.4 million in expenses, yielding a small net gain.

State funding is critical to the University's finances, as it provides approximately 30% of our total revenue. In February, the Governor's proposed budget was released, which would have cut UConn's FY16 appropriation by \$39.5 million. This significant reduction in State support would have resulted in drastic cuts to achieve a balanced budget. UConn is relieved and grateful that the Legislature and the Governor agreed to restore funding, which will make balancing the FY16 budget manageable and reduce the need for various deficit mitigation strategies the University was contemplating.

The final State appropriation of \$243.2 million that was included in the budget passed by the General Assembly and reflects a \$15.7 million reduction from the University request. This reduction still represents a substantial cut, including \$3.7 million less than requested for the operating expenses and \$14.7 million less than was originally planned for Next Generation Connecticut. To cover this shortfall from the State, spending reductions and rescissions will still be necessary. UConn's focus will continue to be on carrying out our academic plan and funding key academic priorities in support of teaching and research. It is vital that the University remain committed to achieving these goals. UConn has come so far as an institution in the last several years, and the University remains unwilling to see progress stall – or even reverse – when it comes to carrying out the academic mission and enhancing academic strength.

FY15 Budget Results

UConn Storrs & Regional Campuses are projected to end the fiscal year with a small gain of \$2.6 million, which is approximately 0.2% of the overall budget. UConn has implemented deficit mitigation to address and solve the FY14 structural deficit. The FY15 balanced budget was accomplished despite \$7.4 million in State rescissions by carefully reviewing hiring requests, slower hiring than projected, increased enrollment, conservative spending for operational expenses, and implementation of operational efficiencies.

FY16 Spending Plan Overview

UConn's spending priorities balance the economic reality of a decline in State operating support while growing robust academic, research and student service enterprises from which the University derives its long-standing reputation. This reputation, along with proper stewardship of its assets, has created a value proposition that drives continued increases in applications for admission from in-state, out-of-state and international students. This spending plan continues the University's commitment to its students, financial aid, faculty and research.

- State Support:
 - Like many State agencies, UConn received reductions as a result of the economy and the State's commitment to a balanced budget
 - Reductions in base appropriation over the past several years, even as funding for new initiatives such as NextGenCT increase
- Tuition and Fees:
 - Maintaining rates that keep the University affordable for in-state students
 - Maintaining rates that keep the University competitive for out-of-state students
 - 4 year tuition plan ends in FY16 and Board of Trustees must approve tuition rates in the fall for FY17 and beyond
- Fringe Benefits:
 - Sharp increases in past couple of years in State controlled fringe rates
 - Rates projected to continue to climb; final new rates will not be known until mid-to late June
 - Increasing numbers of conversions to the Hybrid retirement plan
 - Research rates increased substantially this year (two-year delay from University)
- Financial Commitments:
 - Promises made to faculty & students based on current & assumed economic conditions (Example: Next Generation Connecticut, financial aid, etc.)
- Contractual Salary Increases:
 - Union increases are contractual
 - SEBAC required approximately 5% in FY15 and 5% in FY16
 - New Graduate Assistant (UAW) contract provides 9% over 3 years
 - SEBAC collective bargaining agreement ends in FY16 and all contracts will need to be bargained for FY17
- Next Generation Connecticut
 - Much lower amount appropriated (\$14.6 million less than planned for in FY16)
 - Need to request operating funds annually although UConn is committing to 4 year scholarships prior to the approved appropriation

- Faculty need to be hired well before appropriation is finalized, which makes the timing and instability difficult
- Escalating project construction costs

FY16 Revenues /Expenditures:

- Revenues

State support is a major source of revenue for FY16 at \$396.7 million. State Support accounts for approximately 30% of our spending plan. This substantial and crucial support is greatly appreciated by UConn students, faculty and staff. State support allows UConn to provide an affordable education to Connecticut students, as they pay only a portion of what the full cost of their education would be. Out-of-state students pay a higher tuition rate because they more fully cover the cost of their education. With the difficult economic pressures on the State, UConn is also feeling these impacts. During FY15, UConn's State appropriation was reduced 4 different times for a total of \$7.4 million. This instability makes budgeting difficult and long-range operational planning nearly impossible. UConn's ability to maintain any kind of reserve to mitigate against difficult years is also hampered by the State, as historically the State has used agency reserves to balance their budget as happened in FY10 and FY11.

The University relies heavily on its non-state revenue streams for fiscal stability, particularly in times when State support is under stress. These sources include tuition, room, board and fees as well as private support and research funding.

The proposed FY16 spending plan incorporates the implementation of rate increases previously approved by the Board of Trustees for tuition, room, board and fees. For FY16, the in-state undergraduate student cost of tuition is \$10,522, which is a 6.75% increase over FY15. For an out-of-state undergraduate student, the cost of tuition will be \$32,066. As described below, financial aid is budgeted to offset the impact of these increases on financially needy students and their families. UConn remains a tremendous value in comparison to competitors.

FY16 tuition revenue growth is driven by increased enrollment, residency mix and tuition rates, and it is projected to be 9.9% over FY15. Changes in room and board fees (in Auxiliary Enterprises) drive an increase of 5.4% for FY16 over FY15 revenue. Note that growth in room and board revenue is a function of rate changes as well as occupancy.

- Next Generation Connecticut (NextGenCT)

In NextGenCT's second year, UConn was appropriated \$19.1 million. UConn gratefully acknowledges this funding and hopes that sustained support will be received to allow the University to continue to move forward with this transformative program. Unfortunately, the amount appropriated in FY15 was reduced to \$7.6 million due to rescissions, nearly half of all funds appropriated. With a combination of State appropriated funds and University funds, UConn hired 85 faculty, 39 staff, and awarded 79 new STEM scholarships. The FY16 amount of \$19.1 million is \$4.1 million more than last year, but it is \$14.6 million less than was originally planned. The additional funding will allow UConn to move forward slower than planned with the initiative, including hiring new faculty and providing associated start-up funds, offering \$1.1 million of new STEM scholarships, and hiring required support staff.

Next Generation Connecticut is comprised of both capital and operating budget components. The capital funding provided through the UCONN 2000 program will not only enable construction of new laboratories, classrooms and dorms to support the increased student enrollment, but it will also allow the University to attend to deferred maintenance needs across all campuses.

- Enrollment Growth

The proposed spending plan includes increased tuition and fee revenues from growth in undergraduate students at the Storrs and Regional campuses. In addition, the mix of in-state and out-of-state/international undergraduate students is changing. Total undergraduate enrollment is expected to increase 2.4%.

- Commitment to Financial Aid

Financial aid represents an expenditure that is inextricably intertwined with the mission of the University. During the budgeting process, the goal is to provide an appropriate amount of financial aid to ensure that no qualified student is denied a UConn education because of financial need. In FY16, UConn will be awarding approximately \$1.1 million in new merit scholarships to students pursuing degrees in STEM fields of study.

For FY16, the University will fund \$151.8 million of financial aid with tuition revenue. In other words, in this FY16 budget, 25.7% of the University's tuition revenue is dedicated to tuition funded financial aid; of that amount, 16.4% is dedicated to need-based aid. The University's best financial aid packages are provided to in-state, low income students. For FY15, 21,779 students received financial aid from all known sources, so this funding is critical for student support. The amount of total financial aid included in this proposed budget represents an increase of 3.2% over the FY15 forecast.

- Fringe Benefit Impact

Fringe benefit rates have increased substantially over the past few years. The University develops composite fringe benefit rates annually based upon the actual charges from the benefit programs administered by the State of Connecticut. The actual State rates are not known until after this budget is approved by the Board of Trustees. In FY15, the rates were higher than expected partially due to the effect of more employees choosing or switching to the Hybrid retirement plan. For FY16, the fringe benefit rates assumed in the budget are 3.5 percentage points higher than the FY15 rates. This increase alone adds \$21 million to the FY16 budget. In addition, the FY16 budget includes funds for increased graduate student health insurance costs due to the new contract.

- Spending Reductions and Controls

UConn has mitigated its deficit and as a result of the following actions, the proposed spending plan for FY16 reflects a small net gain:

- Increased enrollment
- Increased online and certificate programs

- Savings from Facilities/Residential Life operational merger
- Elimination of positions vacated due to resignation, retirement, etc.
- Careful hiring - any new position must be approved by President
- Selective layoffs
- Reductions in faculty start-up
- Selected rescissions to academic department and programs
- Reduction in Merit Scholarships for specific programs

Through this proposed spending plan, UConn will continue to focus on carrying out the Academic Plan and funding key academic priorities. Over the past several years, UConn has improved its educational quality on every level. Students of higher quality are choosing UConn, new faculty and leading scholars from around the country are choosing UConn, and the University is enjoying the highest ranking by *U.S. News* in its history. Despite declining State support, the proposed FY16 spending plan attempts builds on these past successes by providing the required funds for improving the student experience, strengthening research and teaching, supporting economic development, increasing philanthropy and communicating the University's commitment to excellence.

**University of Connecticut
Storrs & Regional Campuses
FY16 Spending Plan Table of Contents**

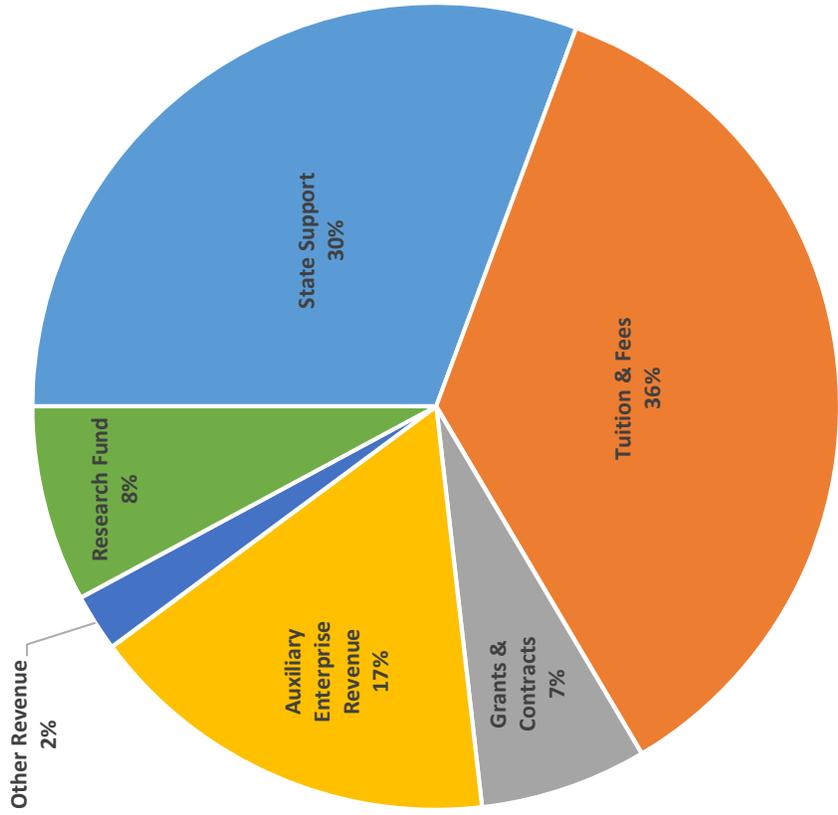
Spending Plan: FY14-FY16	7
Spending Plan by Source: FY16	8
State Support: FY14-FY17	9
Spending Plan Select Revenues: FY14-FY16	10
Undergraduate Tuition & Fees: FY14-FY16	11
Graduate Tuition & Fees: FY14-FY16	12
Salaries & Fringe Benefits: FY14-FY16	13
Financial Aid: FY14-FY16	14

University of Connecticut
Storrs & Regional Campuses
Spending Plan: Fiscal Years 2014 - 2016 (in millions)

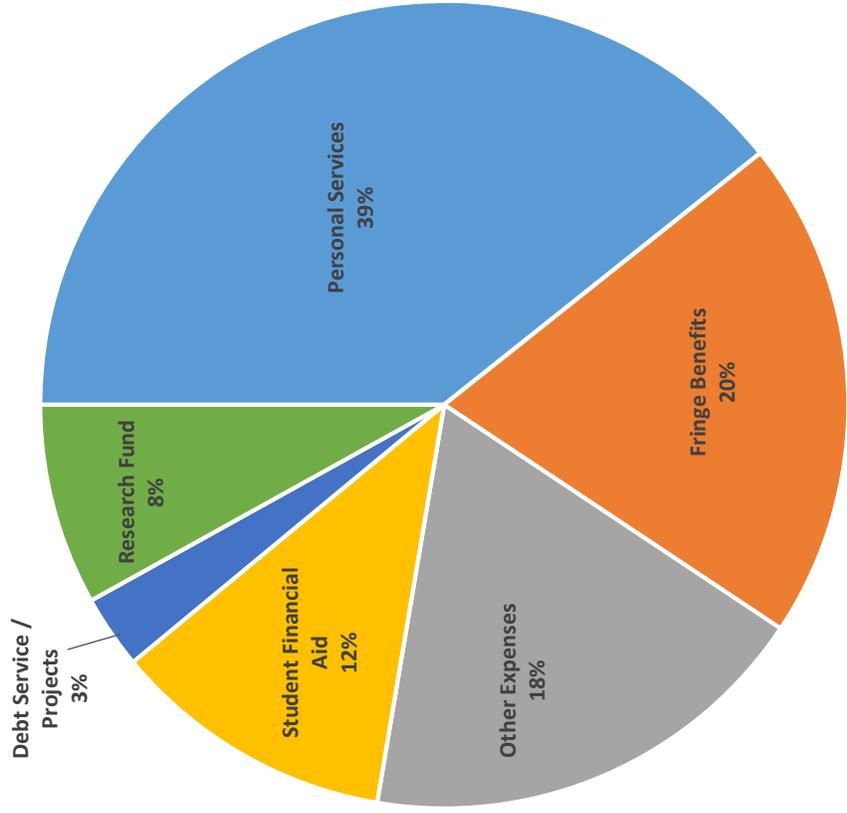
	FY14		FY15		FY16		FY15 Forecast - FY16	
	Actual	Budget	Budget	Forecast	Budget	Budget	\$ Change	% Change
Revenues:								
State Support	\$308.1	\$348.7	\$355.7	\$396.7			\$41.0	11.5%
Tuition	290.4	313.2	318.1	346.8			28.7	9.0%
Fees	106.7	110.6	112.3	117.4			5.1	4.5%
Grants & Contracts	84.1	85.6	86.3	86.5			0.2	0.3%
Sales & Service Education	19.3	16.1	17.3	18.4			1.1	6.4%
Auxiliary Enterprise Revenue	198.7	209.2	204.9	215.7			10.7	5.2%
Other Revenue	10.5	9.4	9.4	11.3			2.0	21.1%
Total Operating Funds	\$1,017.8	\$1,092.8	\$1,104.0	\$1,192.8			\$88.8	8.0%
Research Fund	100.3	96.0	100.2	101.8			1.6	1.6%
Total Revenues	\$1,118.1	\$1,188.8	\$1,204.2	\$1,294.6			\$90.4	7.5%
Expenditures:								
Personal Services	\$461.8	\$489.5	\$482.3	\$507.8			\$25.5	5.3%
Fringe Benefits	212.0	228.1	225.0	259.3			34.3	15.2%
Other Expenses	190.6	188.8	191.3	208.2			16.9	8.9%
Energy	21.0	23.8	23.0	24.5			1.4	6.1%
Equipment	4.5	7.0	5.2	3.9			(1.3)	-24.3%
Student Financial Aid	132.0	139.2	142.3	146.5			4.3	3.0%
Debt Service/Projects	(7.5)	15.6	31.9	38.0			6.1	19.2%
Total Operating Funds	\$1,014.4	\$1,092.0	\$1,101.0	\$1,188.2			\$87.2	7.9%
Research Fund	102.5	96.8	100.6	104.2			3.6	3.6%
Total Expenditures	\$1,116.9	\$1,188.8	\$1,201.6	\$1,292.4			\$90.8	7.6%
Net Gain / (Loss)	\$1.2	\$0.0	\$2.6	\$2.2				

**University of Connecticut
Storrs & Regional Campuses
Spending Plan by Source: Fiscal Year 2016**

Revenues: \$1,294.6 M



Expenses: \$1,292.4 M



**University of Connecticut
Storrs & Regional Campuses
State Support: Fiscal Years 2014 - 2017**

	FY14		FY15		FY16		FY17	
	Actual Allotment	PA 14-47 5/8/2014	Forecasted Allotment	Requested Approp	HB7061 6/3/2015	Requested Approp	HB7061 6/3/2015	
Operating Expenses	\$ 201,348,929	\$ 212,994,757	\$ 213,471,770	\$ 224,285,156	\$ 220,582,283	\$ 225,043,955	\$ 225,082,283	
<i>Next Generation Connecticut</i>	-	15,000,000	7,611,670	33,785,372	19,144,737	53,989,905	20,394,737	
Workers' Compensation Claims	-	-	-	-	3,092,062	-	3,092,062	
CT Ctr for Advanced Technology	250,000	250,000	250,000	-	-	-	-	
CommPACT Schools	475,000	475,000	451,250	475,000	-	475,000	-	
Kirklyn M. Kerr Grant	400,000	400,000	400,000	400,000	400,000	400,000	400,000	
FoodCorps	-	27,000	27,000	-	-	-	-	
Agronomy	100,000	-	-	-	-	-	-	
Total Appropriation	\$ 202,573,929	\$ 229,146,757	\$ 222,211,690	\$ 258,945,528	\$ 243,219,082	\$ 279,908,860	\$ 248,969,082	
Fringe Benefits / Adjustments*	105,495,273		133,448,764		153,449,592		158,160,515	
Total State Support	\$ 308,069,202		\$ 355,660,454		\$ 396,668,674		\$ 407,129,597	

*Adjustments include year-end accounting accruals.

University of Connecticut
Storrs & Regional Campuses
Spending Plan Select Revenues: Fiscal Years 2014 - 2016 (in millions)

	FY14		FY15		FY16		FY15 Forecast - FY16	
	Actual	Budget	Budget	Forecast	Budget		\$ Change	% Change
Tuition & Fees								
Tuition	\$290.4	\$313.2	\$318.1		\$346.8		\$28.7	9.0%
Course Fees	46.1	47.4	49.7		54.1		4.4	8.7%
General University Fee	36.2	37.5	37.5		38.6		1.1	2.8%
Other Fees ¹	24.4	25.7	25.1		24.7		(0.4)	-1.4%
Total Tuition & Fees	\$397.1	\$423.8	\$430.4		\$464.2		33.8	7.9%
Grants & Contracts								
Federal Financial Aid Grants	\$23.6	\$25.6	\$27.3		\$27.6		\$0.3	1.3%
State Financial Aid Grants	9.4	9.3	9.3		9.6		0.3	3.0%
Foundation ²	17.6	17.2	16.2		15.7		(0.5)	-3.2%
Department of Agriculture	4.2	4.3	4.3		4.4		0.1	3.0%
Miscellaneous Grants and Contracts ³	29.3	29.2	29.2		29.2		0.0	0.0%
Total Grants & Contracts	\$84.1	\$85.6	\$86.3		\$86.5		0.2	0.3%
Auxiliary Enterprise Revenues								
Residential Life & Rental Properties	\$81.1	\$87.9	\$90.0		\$93.3		\$3.3	3.7%
Dining Services	67.3	69.7	69.6		72.1		2.5	3.5%
Athletics	37.2	38.2	31.4		35.0		3.6	11.4%
Transportation & Parking	7.3	7.8	8.0		8.5		0.5	5.9%
Health Services	3.1	3.1	3.5		3.6		0.1	3.8%
Jorgensen Center for Performing Arts	1.0	1.0	1.0		1.8		0.7	74.7%
Student Union & Student Activities	1.4	1.1	1.1		1.1		0.0	4.5%
Other Student Affairs	0.3	0.4	0.3		0.3		(0.0)	-10.0%
Total Auxiliary Enterprise Revenues	\$198.7	\$209.2	\$204.9		\$215.7		10.8	5.2%

¹ Includes IMF, Admissions, Acceptance, etc.

² Foundation includes direct income only

³ Miscellaneous Grants and Contracts includes private non-Foundation income, other Federal and State grants and contracts

University of Connecticut - Storrs Campus Undergraduate Tuition & Fees: Fiscal Years 2014 - 2016

	In-State Undergraduate			Out-of-State Undergraduate			
	FY14	FY15	FY16	FY14	FY15	FY16	
Tuition, Full-time	\$ 9,256	\$ 9,858	\$ 10,522	\$ 28,204	\$ 30,038	\$ 32,066	6.75%
General University Fee	1,848	1,914	1,914	1,848	1,914	1,914	
Other Fees:							
Student Newspaper	20	20	20	20	20	20	
Student Government (USG)	96	96	96	96	96	96	
WHUS	18	18	18	18	18	18	
Student Union (SUBOG)	46	46	46	46	46	46	
UCONN TV	10	10	10	10	10	10	
Transit Fee	110	120	120	110	120	120	
Technology Fee	150	150	150	150	150	150	
Infrastructure Maintenance	468	468	468	468	468	468	
Subtotal Other Fees	918	928	928	918	928	928	
Total Tuition & Mandatory Fees	\$ 12,022	\$ 12,700	\$ 13,364	\$ 30,970	\$ 32,880	\$ 34,908	6.2%
Room Fee - Double	6,278	6,466	6,660	6,278	6,466	6,660	3.0%
Board Fee - Value Meal Plan ^A	5,196	5,352	5,514	5,196	5,352	5,514	3.0%
Grand Total	\$ 23,496	\$ 24,518	\$ 25,538	\$ 42,444	\$ 44,698	\$ 47,082	5.3%

^A The Value Meal Plan represents the most popular meal plan available (Per semester: unlimited meals, 200 points, 40 flex passes). Higher and lower cost meal plan options are available.

University of Connecticut - Storrs Campus
Graduate Tuition & Fees: Fiscal Years 2014 - 2016

	In-State Graduate		Out-of-State Graduate	
	FY14	FY15	FY14	FY15
Tuition, Full-time	\$ 11,456	\$ 12,202	\$ 29,740	\$ 31,674
General University Fee	1,368	1,416	1,368	1,416
Other Fees:				
Student Activity Fee	26	32	26	32
Graduate Matriculation Fee	84	84	84	84
Transit Fee	110	120	110	120
Technology Fee	150	150	150	150
Infrastructure Maintenance	468	468	468	468
Subtotal Other Fees	838	854	838	854
Total Tuition & Mandatory Fees	\$ 13,662	\$ 14,472	\$ 31,946	\$ 33,944
				6.3%
Room Fee - Single	7,540	7,842	7,540	7,842
Board Fee - Value Meal Plan ^A	5,196	5,352	5,196	5,352
Grand Total	\$ 26,398	\$ 27,666	\$ 44,682	\$ 49,674
				5.4%

^A The Value Meal Plan represents the most popular meal plan available (Per semester: unlimited meals, 200 points, 40 flex passes). Higher and lower cost meal plan options are available. Please note that for Graduate students living in Graduate student housing, the meal plan is optional.

University of Connecticut
Storrs & Regional Campuses
Salaries & Fringe Benefits: Fiscal Years 2014 - 2016 (in millions)

Salaries & Fringe Benefits are expected to account for approximately 65% of the operating fund expenditure budget in FY16

Fiscal Year	Salaries	Fringe Benefits	Salaries & Fringe Benefits % of Budget¹	Fringe Benefits % of Budget¹
FY14	\$461.8	\$212.0	66.4%	20.9%
FY15 Forecast	\$482.4	\$224.9	64.4%	20.5%
FY16 Budget	\$507.8	\$259.3	64.6%	21.8%

¹ Excludes Research Fund

**University of Connecticut
Storrs & Regional Campuses
Financial Aid: Fiscal Years 2014-2016 (in millions)**

	FY14	FY15		FY16	FY15 Forecast - FY16	
	Actual	Budget	Forecast	Budget	\$ Change	% Change
<u>Total Financial Aid</u>						
University Supported Aid*	\$77.9	\$83.1	\$82.1	\$85.4	\$3.3	4%
Other Scholarships	8.2	8.7	11.0	10.7	(0.3)	-3%
State Aid	9.4	9.3	11.3	11.2	(0.1)	0%
Federal Aid	24.3	25.6	25.9	27.0	1.1	4%
Private Aid	12.3	12.5	12.0	12.2	0.2	2%
Total Financial Aid ¹	132.1	139.2	142.3	146.5	\$4.2	3%
<u>*University Supported Aid</u>						
Need-Based Grants	\$51.6	\$54.5	\$54.6	\$54.7	\$0.1	0%
Scholarships	26.3	28.6	27.5	30.7	3.2	12%
Total University Supported Aid	\$77.9	\$83.1	\$82.1	\$85.4	\$3.3	4%
Need-Based as a % of Tuition Revenue ²	18.6%	18.3%	17.8%	16.4%		

¹ Excludes loans, student employment, research fellowships, waivers and outside private scholarships

² Higher Education guideline for need based aid is 15% (of net tuition revenue)