

June 29, 2016

TO: Members of the Board of Trustees

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

RE: Operating Budget for Fiscal Year 2017 for the University of Connecticut, Storrs
and Regional Campuses

RECOMMENDATION:

That the Board of Trustees approve the Operating Budget for Fiscal Year 2017 of \$1,319.3 million for the University of Connecticut, Storrs and Regional Campuses as attached.

BACKGROUND:

The Operating Budget for Fiscal Year 2017 includes \$1,319.8 million of revenue, including State Support of \$369.9 million, to cover \$1,319.3 million of expenses. The University is presenting a balanced budget for FY17, despite continued fiscal challenges.

We are grateful to the State legislature and Governor for their continued support of UConn. On June 3, 2015, the FY17 State budget was adopted as part of the biennium budget bill and it included \$409.8 million (\$249.0 appropriation and ~\$160.8 million for fringe reimbursement) for UConn; however, the amended FY17 State budget passed on June 2, 2016 is a projected \$29.2 million less. Moreover, on June 9, 2016, UConn was cut through lapses by another \$11.4 million. This means that for FY17, UConn has already been cut \$40.6 million from the original adopted budget. In addition to the lapses, UConn is at risk for an additional 5% or \$19.0 million of cuts as part of the Governor's rescission authority should the State budget dip into deficiency during FY17. State support, which consists of both the direct appropriation and fringe reimbursement, is critical to the University.

To address budget reductions and create a balanced budget, UConn has implemented strategic cuts to units across campuses, made judicious hiring decisions, reviewed purchases for careful spending, created operational efficiencies, raised tuition and generated new external revenues. UConn has closely examined its revenues and expenses, and it is uncertain at this point how the University would address additional FY17 cuts should they be administered.

It is important to note that despite reductions in State funding, UConn has made significant gains in improving academic quality in recent years. This includes being ranked as the 19th top public university in *U.S. News and World Report*, decreasing the average time to degree to 4.2 years, receiving record numbers of applications (including Connecticut resident applications), and outstanding SAT scores among members of our freshmen classes UConn has come so far as an institution, but continuous cuts are impacting students, faculty and staff and our ability to grow and maintain academic excellence.

The Next Generation Connecticut (NextGenCT) initiative represents one of the most ambitious State investments in economic development, higher education, and research in the nation. This important program has both an operational and capital component. Overall this program has been successful and UConn has added 1,765 STEM undergraduate students since 2013, and approximately 80 STEM scholarships per year. Additionally, capital funds have allowed the University to construct new buildings, address some deferred maintenance, and revitalize our infrastructure. While the capital side has been largely funded (\$26 million was deferred from FY17 to FY18), the operating side has been significantly underfunded, due to the state's budget difficulties. The original plan contained \$53.0 million of operating funds for FY17 to pay for increased faculty, STEM scholarships, financial aid, lab/equipment needs, etc. The appropriated amount is \$19.2 million or 36% of the original proposal. Due to this reduction, UConn will not be able to hire the number of new faculty it had hoped, and, without growth in faculty, UConn will need to hold freshmen enrollment steady in Storrs at 3,800 for Fall 2016.

Notwithstanding our best efforts, UConn students and faculty are feeling the impact, and, in some areas, UConn is seeing slippage. Due to budget cuts, UConn has not been able to hire faculty as planned, but, up to this point, has continued to grow enrollment to honor its commitment of admitting additional students. In FY13, UConn undergraduate student enrollment was 22,301. In FY16, it had grown by 1,106 students or 5%. However, growth in enrollment coupled with less faculty hiring is impacting our student to faculty ratio. UConn's goal was to reduce the ratio from 18.3:1 to 15:1. Less faculty hiring in FY16 contributed to a rise in the ratio from 16.4:1 in FY15 to 16.9:1 in FY16 and UConn expects to see this trend continue in FY17.

In December 2015, UConn adopted a new four-year tuition plan for FY17-FY20. The plan will raise \$14 million of new revenue in FY17. This additional revenue is necessary for UConn to balance our budget, but the increase in tuition rates impacts our students and their families.

Even with the continued financial pressures, UConn is committed to providing student financial aid to our students based on both need and merit. In FY17, the University will provide \$95.9 million in financial aid. This is an increase of \$11.2 million over the FY16 amount and includes \$2.1 million of new merit scholarships to students pursuing degrees in STEM fields of study. The overall financial aid amount consists of \$62.4 million for need-based support and \$33.5 million in scholarships to support UConn students. Financial aid continues to be a priority, but, with continued budget pressure, it will be difficult in the future to provide enough financial aid to ensure that no qualified student is denied a UConn education because of financial need.

In spite of ongoing fiscal struggles, UConn will continue to focus on protecting academic excellence, providing strong student support, and supporting the research mission of the University. In recent years UConn has made significant gains and improved academic quality on every metric and we remain committed to maintaining and enhancing our academic excellence whenever possible in support of our students and the state of Connecticut.



**University of Connecticut, Storrs & Regional Campuses
Operating Budget for Fiscal Year 2017**

| Revenues: | | |
|-------------------------------|-----------|----------------------|
| Appropriation | | 223,020,377 |
| Fringe Benefits & Adjustments | | 146,911,945 |
| Total State Support | \$ | 369,932,322 |
| Tuition | | 372,685,757 |
| Fees | | 124,498,396 |
| Grants & Contracts | | 79,294,938 |
| Foundation/Endowment | | 20,005,062 |
| Sales & Service Education | | 19,828,516 |
| Auxiliary Enterprise Revenue | | 210,687,140 |
| Other Revenue | | 18,282,867 |
| Total Operating Funds | \$ | 1,215,214,998 |
| Research Funds | | 104,587,158 |
| Total Revenues | \$ | 1,319,802,157 |

| Expenditures: | | |
|------------------------------|-----------|----------------------|
| Personal Services | \$ | 502,222,509 |
| Fringe Benefits | | 258,337,473 |
| Other Expenses | | 226,860,115 |
| Energy | | 25,193,932 |
| Equipment | | 13,916,612 |
| Student Financial Aid | | 161,624,095 |
| Debt Service/Projects | | 25,012,787 |
| Total Operating Funds | \$ | 1,213,167,524 |
| Research Funds | | 106,260,823 |
| Total Expenditures | \$ | 1,319,428,346 |
| Net Gain | \$ | 373,811 |