

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Nine Months Ended March 31, 2010

Summary

On November 5, 2009, the Board of Trustees approved a Spending Plan for Fiscal Year 2010 of \$991.3 million plus a \$3 million transfer to the State General Fund. This budget included \$992.3 million of revenue to cover \$994.3 million in expenses and transfers, yielding a \$2.0 million loss. The loss is a net result of the \$1.0 million reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union, and a \$3.0 million transfer from University operating reserves to the State's General Fund.

Financial results for the first nine months of Fiscal Year 2010 reflected a number of different factors when compared to budget. Actual revenue totaled \$843.4 million or 85.0% of the budget. At the close of March, the University expenditures and transfers totaled \$735.3 million or 73.9% of the budget.

The net gain for the Operating Fund shown in this nine month report is not indicative of expected annual results. Typically for the first nine months, a greater percentage of the Operating Fund revenue budget is received compared to the expenditure pattern. The later than normal approval (November 5, 2009) of the Spending Plan by the Board of Trustees has resulted in the Other Expense and Equipment expense categories being under budget for the nine month period. Also contributing to the net gain is the timing of the refill process for Retirement Incentive Plan (RIP) vacancies.

A more detailed review of the first nine months of Fiscal Year 2010 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first nine months of Fiscal Year 2010 were \$773.2 million which represented 85.3% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 86.4% of the annual budget. A major source of revenue, **State Support**, consisted of a \$173.6 million appropriation and a fringe benefit allotment of \$71.8 million. The State Support amount is consistent with the University's Biweekly Schedule of State Appropriation Transfers. State Support represented 31.7% of total Operating Fund receipts for the first nine months.

Tuition collections were the second largest source of revenue, totaling \$226.1 million, which represented 29.2% of total Operating Fund receipts. Tuition receipts were 100.3% of the annual amount budgeted (\$225.5 million). Tuition revenue collections reflect a 6.0% rate increase coupled with a 0.7% increase in the number of undergraduate degree-seeking students who account for approximately 87.1% of budgeted tuition revenues. Tuition revenue is forecasted to be slightly ahead of budget at year end.

Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off campus MBA, EMBA, etc.). Also included in this category is the General University Fee, which supports several Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. The first nine months Fee collections were \$78.1 million or 89.2% of the amount budgeted.

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Auxiliary Enterprise Revenue for the first nine months of Fiscal Year 2010 was \$147.1 million which represented 91.1% of the annual budgeted amount and was greater than projected for the period due to timing of Athletics receipts. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 6.0% and 7.0% respectively (\$121.7 million) and Athletic Department receipts (\$22.1 million).

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. For the first nine months of Fiscal Year 2010, Gifts, Grants and Contracts revenue of \$56.8 million, which included \$6.8 million from the UConn Foundation, was 72.6% of the annual budget and is slightly greater than expected at this point in the year.

Investment Income for the first three quarters of Fiscal Year 2010 was \$0.9 million. Interest rates for March 2010 are at 0.24% compared to 0.95% in March 2009. Investment income for the year is projected to be close to budget. Actual results will depend on interest rates and the University's cash balance through the last quarter of the fiscal year.

Sales and Services of Educational Activities and Other Sources (primarily parking, transit fee, and rental income) revenue totaled \$18.8 million and were below budget. This is primarily due to the closing of self-supporting programs on campus.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first nine months, Research Fund revenues were \$70.2 million and represented 81.8% of the amount budgeted. In Fiscal Year 2009, Research Fund revenues reported in the first nine months totaled \$57.5 million and represented 78.1% of the amount budgeted.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first nine months of Fiscal Year 2010 were \$641.0 million or 75.2% of the annual budgeted amount. The spending pattern of the first three quarters of Fiscal Year 2009 reflected expenditures of 78.1% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	72.5%
Fringe Benefits	74.1%
Other Expenses	70.5%
Equipment	75.1%
Student Aid	96.1%

Personal Services/Fringe Benefits represented 72.9% of the annual budgeted amount of \$535.6 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 38 less than the prior year and reflects the impact of the RIP offered by the state at the end of Fiscal Year 2009. Due to the vacancies created by the RIP and the amount of time it takes to refill positions, especially faculty, we anticipate this category to end the year under budget.

Other Expenses (including energy costs) were \$136.1 million for the first nine months and represented 70.5% of the amount budgeted. Energy expenditures are projected to be slightly

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below budget for the year. Other Expenses (excluding energy costs) were less than budget due to the delayed approval of the annual spending plan which delayed approval of various expenditures included in this category. Other Expenses are expected to be under budget at year end.

Equipment expenditures of \$16.0 million were 75.1% of the amount budgeted. It is anticipated that annual equipment expenditures will be on budget for the year.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first nine months, Student Aid expenditures were \$98.6 million and represented 96.1% of the amount budgeted. This category is slightly ahead of the projection due to increased availability of restricted funds. This expenditure category is expected to be over budget due to the additional restricted funds and additional University support for Juniors and Seniors provided by the President.

Expenditures - Operating Fund Transfers

Transfers for the first three quarters were slightly under budget at \$29.7 million or 52.9% of the amount budgeted and reflected transfers for bond and installment loan payments, payments for the capital lease for the cogeneration plant, and funding for construction and information technology projects. Transfers do not always follow a predictable pattern so quarterly results or comparisons are not necessarily indicative of annual results. On April 14, 2010, AN ACT CONCERNING DEFICIT MITIGATION FOR THE FISCAL YEAR ENDING JUNE 30, 2010 was passed by the Governor and the General Assembly. This plan requires the University to transfer an additional \$5 million of operating reserves to the State's General Fund. This category is expected to be over budget at year end.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$64.5 million and represented 75.1% of the budgeted amount. In Fiscal Year 2009, Research Fund expenditures and transfers reported in the first nine months totaled \$60.4 million and represented 82.0% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results.

Enrollment

Total University enrollment for fall 2009 (excluding the Health Center) is up 0.4% from fall 2008 and undergraduate enrollment (degree and non-degree) is up 0.6%. The budget is based on these enrollment levels.

Fund Balance

The University's budget, which was approved on November 5, 2009 by the Board of Trustees, was projected to have a net loss of \$2.0 million for the fiscal year ended June 30, 2010, which would result in a Current Funds Unrestricted Fund Balance of \$67.0 million (Operating Fund-\$46.8 million; Research Fund-\$20.2 million). The fund balance represents 7.8% of the current year's unrestricted expenditure budget. Also, in accordance with current University procedures, centrally funded unrestricted fund balances are carried forward in departmental accounts and are available for expenditure in the current and future fiscal years. The Fiscal Year 2010 budget assumes a consistent level of departmental fund balances at June 30, 2010. Any variance from this assumption will affect the projected fund balance level at year-end.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses
For the Months Ending
3/31/2010

	Operating Budget					Actual					
	Total	Research Fund	Operating Fund			Total	Research Fund	Operating Fund			
			E&G	Aux Ent	Subtotal			E&G	Aux Ent	Subtotal	
Revenues											
State Appropriations (1)	\$ 233,011,263	\$ -	\$233,011,263	\$ -	\$ 233,011,263	\$ 173,633,136	\$ -	\$173,633,136	\$ -	\$ 173,633,136	
State Allotment Fringe Benefits	92,272,460	-	92,272,460	-	92,272,460	71,752,588	-	71,752,588	-	71,752,588	
Total State Support	325,283,723	-	325,283,723	-	325,283,723	245,385,724	-	245,385,724	-	245,385,724	
Tuition	225,474,935	-	219,035,615	6,439,320	225,474,935	226,145,983	-	219,858,050	6,287,933	226,145,983	
Fees	87,486,665	-	59,223,327	28,263,338	87,486,665	78,049,976	-	49,786,638	28,263,338	78,049,976	
Grants & Contracts	145,626,886	85,584,000	59,364,231	678,655	60,042,886	120,117,803	70,149,982	49,123,717	844,104	49,967,821	
Foundation	18,150,837	10,000	9,644,337	8,496,500	18,140,837	6,831,756	22,410	5,409,249	1,400,097	6,809,346	
Investment Income	1,145,249	-	1,095,249	50,000	1,145,249	945,995	-	907,267	38,728	945,995	
Sales and Services of Ed Activities	17,119,450	84,000	17,035,450	-	17,035,450	10,208,414	21,382	10,187,032	-	10,187,032	
Auxiliary Enterprise	161,462,091	-	-	161,462,091	161,462,091	147,064,475	-	-	147,064,475	147,064,475	
All Other Sources	10,534,081	126,000	10,408,081	-	10,408,081	8,640,202	18,798	8,598,526	22,878	8,621,404	
Total Revenues	\$ 992,283,917	\$ 85,804,000	\$ 701,090,013	\$ 205,389,904	\$ 906,479,917	\$ 843,390,327	\$ 70,212,572	\$ 589,256,203	\$ 183,921,553	\$ 773,177,755	
Expenses											
Personal Services	\$ 438,182,567	\$ 41,155,000	\$ 343,762,420	\$ 53,265,147	\$ 397,027,567	\$ 317,869,464	\$ 30,218,667	\$ 247,833,089	\$ 39,817,708	\$ 287,650,797	
Fringe Benefits	148,174,172	9,547,000	118,554,742	20,072,430	138,627,172	110,329,551	7,587,293	88,428,404	14,313,854	102,742,258	
Other Expenses	218,368,663	25,514,000	110,380,635	82,474,028	192,854,663	155,375,693	19,323,451	74,504,365	61,547,877	136,052,242	
Equipment	26,223,840	4,938,000	19,658,965	1,626,875	21,285,840	18,531,272	2,555,312	14,963,621	1,012,339	15,975,960	
Fixed Charges/Student Aid	103,748,242	1,150,000	92,211,737	10,386,505	102,598,242	99,763,060	1,157,719	88,451,783	10,153,558	98,605,341	
Total Expenses	\$ 934,697,484	\$ 82,304,000	\$ 684,568,499	\$ 167,824,985	\$ 852,393,484	\$ 701,869,040	\$ 60,842,442	\$ 514,181,262	\$ 126,845,336	\$ 641,026,598	
Transfers											
Debt Service	20,724,427	\$ -	\$ 7,947,508	\$ 12,776,919	\$ 20,724,427	\$ 12,370,076	\$ -	\$ 5,579,248	\$ 6,790,828	\$ 12,370,076	
Non Mandatory	35,832,006	\$ 3,500,000	\$ 7,544,006	\$ 24,788,000	\$ 32,332,006	\$ 18,010,211	\$ 3,635,532	\$ 2,470,308	\$ 11,904,371	\$ 14,374,679	
Reserves to State General Fund	3,000,000	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	\$ 3,000,000	\$ -	\$ 3,000,000	\$ -	\$ 3,000,000	
Total Expense/Transfer	\$ 994,253,917	\$ 85,804,000	\$ 703,060,013	\$ 205,389,904	\$ 908,449,917	\$ 735,249,326	\$ 64,477,974	\$ 525,230,817	\$ 145,540,535	\$ 670,771,352	
Net Gain (Loss)	\$ (1,970,000)	\$ -	\$ (1,970,000)	\$ -	\$ (1,970,000)	\$ 108,141,001	\$ 5,734,598	\$ 64,025,385	\$ 38,381,018	\$ 102,406,403	

(1) State Appropriation - HB 6802 \$235,292,115
Reduction - 9/22/09 (2,280,852)
Adjusted Appropriation \$233,011,263

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FY 2010 Estimated Annual Changes in Unrestricted Net Assets (Unaudited)

	Operating Fund	Research Fund	Subtotal	Other Funds	Total
Net Assets, 6/30/09 (Unaudited)					
Restricted	\$ 14,408,199	\$ 738,406	\$ 15,146,605	\$ 1,253,299,157	\$1,268,445,762
Unrestricted	48,763,142	20,207,455	68,970,597	78,178,014	147,148,611
Total Net Assets	\$ 63,171,341	\$20,945,861	\$ 84,117,202	\$ 1,331,477,171	\$1,415,594,373

Unrestricted Revenues & Expenditures/Debt Service FY 2010

	Operating Fund	Research Fund	Subtotal	Other Funds		Total
				Internally Designated for Retirement of Indebtedness	Unexpended Plant Funds	
Revenues	\$843,941,771	\$19,117,000	\$863,058,771	\$ 16,000	\$ -	\$863,074,771
Transfers In	-	-	-	20,724,427 ^A	35,832,006 ^A	56,556,433
Subtotal	\$843,941,771	\$19,117,000	\$863,058,771	\$ 20,740,427	\$ 35,832,006	\$919,631,204
Expenditures/Debt Service	\$786,855,338	\$18,617,000	\$805,472,338	20,740,427	\$ 21,267,913	\$847,480,678
Transfers Out	56,056,433	500,000	56,556,433	-	-	56,556,433
Transfer to State General Fund	3,000,000	-	3,000,000	-	-	3,000,000
Subtotal	\$845,911,771	\$19,117,000	\$865,028,771	\$ 20,740,427	\$ 21,267,913	\$907,037,111
Net Increase (Decrease)	\$ (1,970,000)	\$ -	\$ (1,970,000)	\$ -	\$ 14,564,093^B	\$ 12,594,093

Estimated Unrestricted Net Assets

Non-spendable	\$ 5,726,381	\$ -	\$ 5,726,381	\$ -	\$ -	\$ 5,726,381
Committed	-	-	-	-	18,484,344	\$ 18,484,344
Assigned	43,036,761	20,207,455	63,244,216	36,205,157	23,488,513	122,937,886
Unrestricted Net Assets 6/30/09 (Unaudited)	48,763,142	20,207,455	68,970,597^C	36,205,157	41,972,857	147,148,611
Projected Operating Change-Assigned	(1,970,000)	-	(1,970,000)	-	-	(1,970,000)
Projected Non-Operating Change-Committed	-	-	-	-	14,564,093 ^B	14,564,093
Estimated Unrestricted Assets 6/30/10	\$ 46,793,142	\$20,207,455	\$ 67,000,597	\$ 36,205,157	\$ 56,536,950	\$159,742,704

^A Represents transfers from operating and research funds for debt service and capital projects.

^B Primarily represents funding for auxiliary projects. The University has a policy that a departmentally funded construction project does not begin unless the funding has been identified and transferred to plant funds. For Residential Life projects the window of opportunity to actually complete many repairs and renovations is limited as many projects cannot be done while students are occupying the buildings. Board action is anticipated before year-end.

^C Board of Trustees reserve policy is 90 days of current fund expenditures. The current balance represents approximately 31 days.

Note regarding Assigned Unrestricted Net Assets:

~Under provisions of the UCONN 2000 indentures, the University is required to maintain a renewal and replacement fund to keep projects in sound operating condition.

~The Research Fund is primarily generated by grant overhead (IDC) and the funds are designated to the Research Foundation, schools/colleges/departments and individual principal investigator.

~The University has traditionally been very conservative with regard to savings for debt obligations, maintaining funds at a level of approximately 1.75 times our annual debt payments.

~Departmental generated funds come from self-supporting fee based (not tuition) instructional programs.

~Unexpended plant funds includes cash resources for capital projects approved by the B&G Committee or the Board of Trustees for Auxiliary Enterprise operations as well as funds set aside to address on-going code related corrective action.