

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Twelve Months Ended June 30, 2016 (Unaudited)

On June 24, 2015, the Board of Trustees approved a Spending Plan for Fiscal Year 2016 which included \$1,294.5 million of revenue to cover \$1,292.4 million in expenses.

Financial results for the twelve months of Fiscal Year 2016 reflected a number of different factors when compared to budget. Actual revenue totaled \$1,321.2 million and actual expenditures totaled \$1,318.5 million resulting in a \$2.7 million net gain.

A more detailed review of the activity through the end of the Fiscal Year 2016 operations is presented below.

Revenues

Operating Fund

Total **Operating Fund** revenue collections through the fourth quarter of Fiscal Year 2016 were \$1,215.4 million which represented 101.9% of the annual budget. A major source of revenue, **State Support**, was \$384.5 million and represented 31.6% of total operating fund receipts. UConn recognizes the difficult financial position of the State and is grateful to the State Legislature and Governor for their continued support. On July 1, 2015, a lapse of \$1.0 million (\$1.7 million with fringe benefits) was reduced from the University's overall State Support. Per the State's December deficit mitigation plan and additional reductions at the end of March, the University was given a \$1.5 million cut (\$2.5 million with fringe benefits) and a \$13.2 million fund sweep. In total, UConn's State Support was reduced by \$17.4 million during the course of the year.

Tuition collections were the second largest source of revenue, totaling \$353.4 million, which represented 29.1% of total operating fund receipts. Tuition revenue collections reflected a 6.75% rate increase coupled with a 1.9% increase in the number of undergraduate students.

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 primarily supports four Auxiliary Enterprise programs. Various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees are included here as well. The twelve months of Fee collections were \$124.3 million or 105.9% of the amount budgeted. The biggest portion of the increase came from the School of Business and Intersession revenue, which was slightly higher than anticipated due to increased enrollment.

Auxiliary Enterprise Revenue through the fourth quarter of Fiscal Year 2016 was \$214.5 million which represented 99.4% of the annual budgeted amount. The largest portion of Auxiliary Enterprise revenue consists of Room and Board Fees, which totaled \$148.8M in Fiscal Year 2016 and reflected a rate increases of 3.0%.

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Grants and Contracts revenue consists of non-research restricted revenues from a granting agency (e.g. Pell Grants). For the twelve months of Fiscal Year 2016, Grants and Contracts revenue totaled \$82.1 million. This is an increase over last year's amount of \$75.2 million, in part due to higher Federal and State financial aid funds.

Foundation/Endowment revenue consists of gift funds transferred from the UConn Foundation and investment income on endowments. Through the fourth quarter of Fiscal Year 2016, the total received was \$23.8 million. Both Foundation revenue and investment income returned higher than budgeted amounts due to higher interest rates and additional Foundation donations.

Sales and Services of Educational Activities and Other Sources totaled \$32.9 million through the fourth quarter which was \$3.9 million higher than budget. This category includes revenues from the sales of goods or services that are incidental to the conduct of instruction, research, or public service.

Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the twelve months, Research Fund revenues were \$105.8 million and represented 103.9% of the amount budgeted.

Expenditures

Operating Fund

Total **Operating Fund** expenditures through the fourth quarter of Fiscal Year 2016 were \$1,220.3 million or 102.7% of the annual budgeted amount.

Personal Services/Fringe Benefits expenditures totaled \$736.2 million and represented 96.0% of the budgeted amount of \$767.1 million. These categories represent 60.3% of the total Operating Fund expenditures. Due to careful review of any hiring, including specific approval from the Executive Vice President and CFO or Provost for any new position, this category of spending came in lower than budgeted.

Other Expenses (including energy costs) were \$230.1 million for the twelve months. This represents 98.9% of the amount budgeted. The biggest components of this category are utilities, food service, lab supplies, and janitorial costs. Due to budget cuts, University units were prudent in purchases which resulted in this category being \$2.6 million below budget.

Equipment expenditures amounted to \$21.1 million for Fiscal Year 2016. This category ended up significantly over budget because the initial plan was to purchase qualifying equipment through the capital bond program; however, due to competing priorities these expenditures remained here.

Student Aid expenditures were \$150.8 million and represented 102.9% of the amount budgeted. This category ended the year over budget as the University received higher aid revenues to cover the additional expenses. Even with the continued financial pressures, UConn is committed to providing financial aid to students based on both need and merit.

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Net Debt/Other Transfers for the twelve months were \$82.1 million. This category ended higher than budgeted due to additional funds set-aside for infrastructure and other projects that have not been funded with UCONN 2000 bonds.

Research Fund

Finally, **Research Fund** expenditures totaled \$98.2 million and represented 94.2% of the budgeted amount. The lower expenditures combined with higher than anticipated research revenue resulted in a \$7.5 million variance. However, this category was less than budgeted at year-end due to the timing of expenditure outlays on grants and is not indicative of true fiscal year gain/loss.

Enrollment

Total undergraduate enrollment at UConn is 23,407 while another 7,332 were enrolled in graduate or professional programs (excluding UConn Health). Total University enrollment for fall 2015 (excluding UConn Health) was up 1.6% from fall 2014. Undergraduate enrollment (degree and non-degree) was up 1.9%, Graduate enrollment was up 1.7%, and Professional enrollment was down 7.0%.

Summary

Overall, 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. Notwithstanding our best efforts, UConn students and faculty are feeling the impact of reduced State funding and, in some areas, the University is seeing slippage. 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 under the Next Generation Connecticut Program. In FY13, UConn undergraduate student enrollment was 22,301. In FY16, it had grown by 1,106 students or 5%. UConn's goal was to reduce the ratio from 18.3:1 to 15:1. However, less faculty hiring coupled with enrollment growth has caused the student to faculty ratio to go up in FY16 as compared to FY15.

Maintaining quality and high standards, while encouraging efficiency and cost reduction, continues to be the financial goal of the University. In spite of ongoing fiscal struggles, UConn will 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 nearly every metric and we remain committed to maintaining and enhancing our academic excellence in support of our students and the State of Connecticut.

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Statement of Operating Budget Revenues and Expenses
For the Month Ending
6/30/2016

	Budget			Actual as of 6/30/2016 (Unaudited)			
	Operating	Research	Total	Operating	Research	Total	% of Total
Revenues							
State Appropriation	\$ 243,143,113		\$ 243,143,113	\$ 236,845,467		\$ 236,845,467	
State Fringe Benefits	153,525,561		153,525,561	147,645,050	255,992	147,901,042	
Total State Support	\$ 396,668,674		\$ 396,668,674	\$ 384,490,517	\$ 255,992	\$ 384,746,509	29.1%
Tuition	346,689,970		346,689,970	353,381,443		353,381,443	26.7%
Fees	117,391,563		117,391,563	124,272,204		124,272,204	9.4%
Grants & Contracts	68,837,750	100,564,290	169,402,040	82,073,020	105,132,307	187,205,327	14.2%
Foundation	17,705,062	285,039	17,990,101	22,328,098	69,925	22,398,023	1.7%
Investment Income	657,337		657,337	1,422,966		1,422,966	0.1%
Sales and Services of Ed Activities	18,399,357		18,399,357	20,527,325	15,781	20,543,106	1.6%
Auxiliary Enterprise	215,672,926		215,672,926	214,510,340		214,510,340	16.2%
All Other Sources	10,661,699	970,039	11,631,738	12,418,570	273,045	12,691,615	1.0%
Total Revenues	\$ 1,192,684,338	\$ 101,819,368	\$ 1,294,503,706	\$ 1,215,424,483	\$ 105,747,050	\$ 1,321,171,533	100.0%
Expenses							
Personal Services	\$ 507,792,120	\$ 46,195,759	\$ 553,987,879	\$ 496,711,025	\$ 45,664,718	\$ 542,375,743	41.1%
Fringe Benefits	259,279,810	12,887,762	272,167,572	239,464,254	14,494,769	253,959,023	19.3%
Other Expenses	232,659,272	31,580,418	264,239,690	230,084,734	27,161,198	257,245,932	19.5%
Equipment	3,904,859	3,763,979	7,668,838	21,084,422	4,075,036	25,159,458	1.9%
Student Aid	146,546,310	7,707,352	154,253,662	150,793,267	7,823,295	158,616,562	12.0%
Debt/Other Transfers	38,039,003	2,054,387	40,093,390	82,133,873	(1,015,602)	81,118,271	6.2%
Total Expenses	\$ 1,188,221,374	\$ 104,189,657	\$ 1,292,411,031	\$ 1,220,271,575	\$ 98,203,414	\$ 1,318,474,989	100.0%
Net Gain (Loss)	\$ 4,462,964	\$ (2,370,289)	\$ 2,092,675	\$ (4,847,092)	\$ 7,543,636	\$ 2,696,544	

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Administrative Cap For the Fiscal Year Ended June 30, 2016

Per Public Act 15-244, Section 49, the University's institutional administration costs shall not exceed the annual General Fund and Operating Expenditures by more than 3.35%.

Legislation

Public Act 15-244, Section 49, provides that for the fiscal years ending June 30, 2016 and June 30, 2017, UConn expenditures for institutional administration, defined as system office, executive management, fiscal operations and general administration, exclusive of expenditures for logistical services, administrative computing and development, shall not exceed three and thirty-five hundredths per cent of the annual General Fund appropriation and operating fund expenditures, exclusive of capital bond and fringe benefit funds.

Across the University's six campuses, UConn has identified and implemented efficient administrative support wherever possible. Our Fiscal Year 2016 calculation is below:

FY 2016 Expenditures	
Total Operating*	\$970,634,550
Institutional Administration	\$25,906,881
Administrative %	2.67%

* "Exclusive of capital bond and fringe benefit funds" as noted in the legislation above
