

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2007

Summary

On August 1, 2007, the Board of Trustees approved a Spending Plan for Fiscal Year 2008 of \$903.3 million. This budget includes \$901.0 million of revenue to cover \$903.3 million in expenses, yielding a \$2.3 million net loss. This net loss is comprised of a \$1.0 million gain representing the reserve repayment for the November 2001 drawdown of \$11.5 million for the Towers Dining Center and Student Union and a \$3.3 million loss from unspent Fiscal Year 07 State appropriation funds for the Center for Entrepreneurship (\$1.3 million) and the Eminent Faculty (\$2.0 million) programs.

Financial results for the first six months of Fiscal Year 2008 reflect a number of different factors when compared to budget. Overall, revenue was slightly ahead of budget and totaled \$458.9 million or 50.9% of the budget. At this point last fiscal year, revenues were 50.1% of budget. At the close of December, the University expenditures and transfers totaled \$441.7 million or 48.9% of the budget. At this point last fiscal year, expenditures and transfers were 48.2% of budget. Energy expenditures are projected to be under budget by \$2.1 million and it is also likely that \$2.0 million from the Eminent Faculty program, which was carried forward from Fiscal Year 2007, will not all be spent prior to the end of the fiscal year. The recruitment process for the Eminent Faculty Fuel Cell initiative is expected to be completed this spring with a start date in summer 2008. For the fiscal year-end, a net gain of \$1.8 million is currently projected.

The net gain for the Operating and Research Funds at December 31, 2007 is not indicative of expected annual results, as more revenue is typically received in the first and second quarters of the fiscal year while expenditures are more evenly distributed throughout the year.

A more detailed review of the first six months of Fiscal Year 2008 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2008 were \$420.6 million which represented 50.6% of the annual budget. At this point last fiscal year, Operating Fund revenue collections represented 50.2% of the annual budget. A major source of revenue, **State Support**, consisted of a \$125.9 million appropriation and a fringe benefit allotment of \$43.1 million. State Support represented 40.2% of total Operating Fund receipts for the first six months.

Another major source of revenue, **Tuition** collections, was \$97.4 million, which represented 23.1% of total Operating Fund receipts. Tuition receipts were 51.0% of the annual amount budgeted (\$191.1 million). Tuition revenue collections reflect a 5.6% rate increase coupled with a 0.8% increase in the number of undergraduate degree-seeking students who account for approximately 87% of budgeted tuition revenues. Tuition income is projected to be under budget (\$0.6 million) at the end of the fiscal year as actual enrollment is less than originally budgeted.

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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 and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. The first six months Fee collections were \$39.0 million or 51.9% of the amount budgeted. Fee revenue is expected to be over budget by \$1.8 million in Fiscal Year 2008.

Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2008 was \$67.2 million which represented 48.3% of the annual budgeted amount and was slightly behind projections. Auxiliary revenue consisted primarily of Room and Board Fees (\$51.3 million) and Athletic Department receipts (\$13.8 million).

The remaining revenue categories are (1) Grants and Contracts (non-research), (2) Investment Income, (3) Sales and Services of Educational Activities, and (4) Other Sources (primarily parking, transit fee, and rental income).

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 six months of Fiscal Year 2008, Gifts, Grants and Contracts revenue of \$30.6 million, which included \$5.7 million from the UConn Foundation, was 46.8% of the annual budget. This category is projected to be slightly ahead of budget at the end of the fiscal year.

Investment Income for the first two quarters of Fiscal Year 2008 was \$5.7 million. Interest rates continue to fall with the rate for December 2007 at 4.64% compared to 5.47% in December 2006. Investment income for the year is projected to be below budget by \$0.5 million. Actual results will depend on interest rates and the University's cash balance through the second half of the fiscal year.

Sales and Services of Educational Activities and Other Sources revenue totaled \$11.8 million for the first six months or \$1.3 million less than budgeted due in large part to timing of receipts. The end-of-year projection is \$24.9 million or a positive variance of \$ 0.3 million.

Revenues - Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts most of the revenues. For the first six months, Research Fund revenues were \$38.3 million and represented 55.3% of the amount budgeted. In Fiscal Year 2007, Research Fund revenues reported in the first six months totaled \$33.7 million and represented 48.1% of the amount budgeted. The Research Fund budget in Fiscal Year 2007 was \$70.0 million and the budget for Fiscal Year 2008 is only \$69.3 million. Based on the first six months, the Research Fund revenues are expected to slightly exceed the budget.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first six months of Fiscal Year 2008 were \$389.9 million or 49.0% of the annual budgeted amount. The spending pattern of the first two quarters of the last fiscal year reflected expenditures of 48.4% of the

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annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	50.5%
Fringe Benefits	51.6%
Other Expenses/Energy	44.1%
Equipment	52.0%
Student Aid	48.3%

Personal Services/Fringe Benefits were \$260.6 for the first two quarters. The Fiscal Year 2008 Operating Fund budget for personal services and fringe benefits is \$513.1 million and the year-end projection is on target. The University was able to identify resources, including an additional \$1.0 million from the State, to fund a net increase of 30 full-time faculty (based on the IPEDS federal reporting standard). The hiring of the additional full-time faculty is part of the on-going effort to meet the course coverage demands of increased undergraduate enrollment. The student-to-faculty ratio has decreased from 17.3:1 last fall to 17.0:1 this fall. The personal service and fringe benefit expenditures will continue to be monitored closely throughout the year as they represent 61.5% of the Operating Fund expenditure budget.

Other Expenses and Energy expenditures were \$84.6 million for the first six months and represented 44.1% of the amount budgeted. Energy expenditures are projected to be less than budget primarily due to the negotiation of a favorable gas contract plus benefits from the recently held reverse energy auction. Overall, Other Expenses and Energy expenditures are projected to be \$4.2 million less than budget at the end of the fiscal year.

Equipment expenditures of \$5.5 million were 52.0% of the amount budgeted and represented 1.4% of the operating expenditures. Expenditures for the first six months were slightly less than anticipated but are expected to be greater than budgeted for the year. During the fall semester, the Provost invited proposals for research equipment that would significantly enhance the research capabilities of the University and enhance the Academic Plan. Of the 31 proposals received, six outstanding proposals were selected. Awards totaling \$2.0 million were given for major equipment purchases. Actual expenditures will depend on whether this equipment is purchased prior to the end of the fiscal year.

Student Aid funds are predominantly spent in the first and third quarter of the fiscal year. For the first six months, Student Aid expenditures were \$39.1 million and represented 48.3% of the amount budgeted. This category is expected to be on target for the year. A clearer picture of the fiscal year forecast will be available after the spring semester awards are processed in February 2008.

Expenditures - Operating Fund Transfers

The **Transfers** line reflects bond and installment loan payments as well as payments for the capital lease for the cogeneration plant.

Expenditures - Research Fund

Research Fund expenditures and transfers totaled \$37.8 million and represented 54.5% of the budgeted amount. In Fiscal Year 2007, Research Fund expenditures and transfers reported in the first six months totaled \$34.5 million and represented 49.2% of the budgeted

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amount. Because of the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. Based on the first six months, the Research Fund expenditures are expected to be slightly more than budget for the year and will track with the additional Research Fund revenues.

Enrollment

Total University enrollment for fall 2007 (excluding the Health Center) is up 0.7% from fall 2006. First semester freshmen enrollment is down 1.3% from fall 2006; however, total undergraduate enrollment (degree and non-degree) is up 0.3%. The current year budget was based on a projected 1.4% increase in total University enrollment and a projected 1.9% increase in undergraduate enrollment. As a result, Tuition revenue is projected to be under budget and will be monitored closely due to the lower than expected enrollment.

Cash Balance

The December 31, 2007 current funds cash balance was \$135.4 million, \$4.6 million less than December 2006 which was \$140.0 million. The current funds cash balance reflected the collection of 50.9% of budgeted revenue while total expenditures and transfers were 48.9% of budget. The cash balance is expected to decrease as expenditure outlays exceed future revenue collections as the year progresses. Also, the December 31, 2007 cash balance represented 15.0% of the annual expenditure budget as compared to 16.4% one-year ago.

Fund Balance

The University's budget is currently projected to have a net gain of \$1.8 million for the fiscal year ended June 30, 2008, which results in a Current Funds Unrestricted Fund Balance of \$56.0 million (Operating Fund-\$36.8 million; Research Fund-\$19.2 million). The net gain is primarily a result of energy expenditures, which are projected to be under budget by \$2.1 million, and the Eminent Faculty program, which is unlikely to expend the \$2.0 million carried forward from Fiscal Year 2007. The projected fund balance represents 7.0% of the current year's original unrestricted expenditure budget. Also, in accordance with standard 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 2008 budget assumes a consistent level of departmental fund balances at June 30, 2008. 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 (a)
For the Months Ending 12/31/07

	Operating Budget					Actual as of 12/31/07								
	Total	Research Fund	Operating Fund			Total	Research Fund	% of Budget	Operating Fund			% of Budget	% of Actual	
			E&G	Aux Ent	Subtotal				E&G	Aux Ent	Subtotal			
REVENUE														
State Appropriations	\$ 234,466,774	\$ -	\$ 234,466,774	\$ -	\$ 234,466,774	\$ 125,477,891			\$ 125,477,891		\$ 125,477,891	53.5%	29.8%	
State Allotment Fringe Benefits	90,266,949	-	90,266,949	-	90,266,949	42,993,219	-		42,993,219	-	42,993,219	47.6%	10.2%	
Subtotal State Support	324,733,723	-	324,733,723	-	324,733,723	168,471,110	-		168,471,110	-	168,471,110	51.9%	40.0%	
FY07 Carryforward-PS	400,000	-	400,000	-	400,000	400,000	-		400,000	-	400,000	100.0%	0.1%	
FY07 Carryforward-FB	158,120	-	158,120	-	158,120	158,120	-		158,120	-	158,120	100.0%	0.0%	
Total State Support	325,291,843	-	325,291,843	-	325,291,843	169,029,230	-		169,029,230	-	169,029,230	52.0%	40.2%	
Tuition	191,061,385	-	186,805,353	4,256,032	191,061,385	97,365,626	-		93,434,294	3,931,332	97,365,626	51.0%	23.1%	
Fees	75,211,131	-	52,031,358	23,179,773	75,211,131	39,045,202	-		15,865,429	23,179,773	39,045,202	51.9%	9.3%	
Grants & Contracts	112,765,119	69,039,350	43,219,769	506,000	43,725,769	63,041,135	38,192,118	55.3%	24,676,326	172,692	24,849,018	69.9%	5.9%	
Foundation	21,653,092	100,000	9,700,000	11,853,092	21,553,092	5,725,908	7,119	7.1%	3,218,131	2,500,658	5,718,789	52.9%	1.4%	
Investment Income	11,143,000	-	11,143,000	-	11,143,000	5,677,073	-		5,618,282	58,791	5,677,073	50.9%	1.3%	
Sales and Services of Ed Activities	14,952,000	50,000	14,902,000	-	14,902,000	6,211,547	21,569	43.1%	6,189,978	-	6,189,978	41.5%	1.5%	
Auxiliary Enterprise	139,063,998	-	-	139,063,998	139,063,998	67,199,683	-		-	67,199,683	67,199,683	48.3%	16.0%	
All Other Sources	9,879,177	80,000	9,799,177	-	9,799,177	5,647,204	63,201	79.0%	5,584,003	-	5,584,003	57.0%	1.3%	
TOTAL REVENUE	\$ 901,020,745	\$ 69,269,350	\$ 652,892,500	\$ 178,858,895	\$ 831,751,395	\$ 458,942,608	\$ 38,284,007	55.3%	\$ 323,615,671	\$ 97,042,930	\$ 420,658,601	50.6%	100.0%	
Expenses														
Personal Services	\$ 415,303,489	\$ 35,061,546	\$ 330,907,397	\$ 49,334,547	\$ 380,241,944	\$ 210,456,242	\$ 18,306,414	52.2%	\$ 168,236,193	\$ 23,913,635	\$ 192,149,828	50.5%	47.6%	
Fringe Benefits	140,903,575	8,064,155	114,592,395	18,247,024	132,839,420	73,041,762	4,547,633	56.4%	59,742,118	8,752,011	68,494,129	51.6%	17.0%	
Other Expenses	213,455,509	21,539,528	117,933,567	73,982,414	191,915,981	96,066,041	11,433,019	53.1%	49,420,213	35,212,809	84,633,022	44.1%	21.0%	
Equipment	14,004,121	3,504,121	6,885,276	3,614,724	10,500,000	7,024,153	1,561,069	44.5%	4,438,584	1,024,500	5,463,084	52.0%	1.4%	
Fixed Charges/Student Aid	82,080,586	1,100,000	71,750,586	9,230,000	80,980,586	39,602,576	464,883	42.3%	34,520,185	4,617,508	39,137,693	48.3%	9.7%	
Total Expenditures	\$ 865,747,280	\$ 69,269,350	\$ 642,069,221	\$ 154,408,709	\$ 796,477,931	\$ 426,190,774	\$ 36,313,018		\$ 316,357,293	\$ 73,520,463	\$ 389,877,756	49.0%	96.5%	
Debt Service	\$ 21,935,492	\$ -	\$ 8,898,938	\$ 13,036,554	\$ 21,935,492	\$ 12,742,365	\$ -		\$ 5,841,307	\$ 6,901,058	\$ 12,742,365	58.1%	76.3%	
Non Mandatory	15,613,632	-	4,200,000	11,413,632	15,613,632	2,788,681	1,444,795		(5,076,238)	6,420,123	1,343,885	8.6%	8.0%	
Total Expense/Transfer	\$ 903,296,404	\$ 69,269,350	\$ 655,168,159	\$ 178,858,895	\$ 834,027,055	\$ 441,721,820	\$ 37,757,813	54.5%	\$ 317,122,362	\$ 86,841,645	\$ 403,964,006	48.4%	100.0%	
Net Gain (Loss)	\$ (2,275,659)	\$ -	\$ (2,275,659)	\$ (0)	\$ (2,275,660)	\$ 17,220,788	\$ 526,193		\$ 6,493,309	\$ 10,201,285	\$ 16,694,595			
NET INC(DEC) CASH BALANCE						<u>\$23,578,550</u>								
CASH BALANCE 6/30/07						<u>\$111,827,723</u>								
CASH BALANCE 12/31/07						<u>\$135,406,273</u>								

(a) Budgeted and actual revenues and expenditures represent accrual basis, except compensated absences which are adjusted at fiscal year end, rather than cash expenditures.

University of Connecticut
Projection of Budgeted Changes in Net Assets - All Funds
For the Year Ended June 30, 2008

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<u>Revenues and Expenditures, 6/30/2008</u>					
Revenue	\$ 831,751,395	\$ 69,269,350	\$ 901,020,745	\$ 187,653,126	\$ 1,088,673,871
Expenditures and Transfers	<u>834,027,055</u>	<u>69,269,350</u>	<u>903,296,405</u>	<u>172,025,183</u>	<u>1,075,321,588</u>
Net Increase (Decrease)	<u>\$ (2,275,660)</u>	<u>\$ -</u>	<u>\$ (2,275,660)</u>	<u>\$ 15,627,943</u>	<u>\$ 13,352,284</u>
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Net Assets, 6/30/07 (Unaudited)					
Restricted and invested in capital net of related debt	\$ 11,693,671	\$ 952,554	\$ 12,646,226	\$ 1,283,156,085	\$ 1,295,802,311
Unrestricted	<u>34,947,149</u>	<u>19,234,255</u>	<u>54,181,404</u>	<u>67,665,843</u>	<u>121,847,247</u>
Total, 6/30/07	<u>\$ 46,640,820</u>	<u>\$ 20,186,809</u>	<u>\$ 66,827,629</u>	<u>\$ 1,350,821,929</u>	<u>\$ 1,417,649,558</u>
Compensated Absences Liability, 6/30/07	\$ 24,274,100				
Change at 6/30/08					
Restricted and invested in capital net of related debt	\$ -	\$ -	\$ -	\$ 10,939,560	\$ 10,939,560
Unrestricted	<u>(2,275,660)</u>	<u>-</u>	<u>(2,275,660)</u>	<u>4,688,383</u>	<u>2,412,723</u>
Subtotal, 6/30/08	<u>\$ (2,275,660)</u>	<u>\$ -</u>	<u>\$ (2,275,660)</u>	<u>\$ 15,627,943</u>	<u>\$ 13,352,284</u>
Net Assets, 6/30/08					
Restricted and invested in capital net of related debt	\$ 11,693,671	\$ 952,554	\$ 12,646,226	\$ 1,294,095,645	\$ 1,306,741,871
Unrestricted	<u>32,671,489</u>	<u>19,234,255</u>	<u>51,905,744</u>	<u>72,354,226</u>	<u>124,259,970</u>
Total, 6/30/08	<u>\$ 44,365,160</u>	<u>\$ 20,186,809</u>	<u>\$ 64,551,970</u>	<u>\$ 1,366,449,872</u>	<u>\$ 1,431,001,842</u>
Compensated Absences Liability, 6/30/08	\$ 24,078,862				