

University of Connecticut (Storrs & Regional Campuses)

Quarterly Overview of the Operating and Research Funds For the Six Months Ended December 31, 2012

Summary

On June 28, 2012, the Board of Trustees approved a Spending Plan for Fiscal Year 2013 which includes \$1,053.9 million of revenue to cover \$1,054.9 million in expenses and transfers. Over the years, the Research Fund balance for use by principal investigators, deans and department heads has grown. It is expected that \$1.0 million of the prior years' accumulation of funds will be spent down in Fiscal Year 2013.

Financial results for the first six months of Fiscal Year 2013 reflected a number of different factors when compared to budget. Actual revenue totaled \$521.3 million or 49.5% of the budget. At the close of December, the University expenditures and transfers totaled \$517.5 million or 49.1% of the budget.

The net gain for the Operating Fund shown in this six month report is not indicative of expected annual results, as most Operating Fund 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 2013 operations is presented below.

Revenues - Operating Fund

Total **Operating Fund** revenue collections for the first six months of Fiscal Year 2013 were \$474.6 million which represented 49.5% 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 \$105.4 million appropriation and a fringe benefit allotment of \$45.9 million. State Support represented 51.7% of total Operating Fund receipts for the first six months. On November 28, 2012, the Governor exercised his authority to rescind State Support. The appropriation was reduced by about 5% (\$10.3 million or approximately \$15 million including fringe benefits). Therefore, this category will be under budget for the year.

Tuition collections were the second largest source of revenue, totaling \$137.5 million, which represented 29.0% of total Operating Fund receipts. Tuition receipts were 50.6% of the annual amount budgeted (\$271.6 million). Tuition revenue collections reflect a 5.5% rate increase coupled with a 0.7% decrease in the number of undergraduate degree-seeking students who account for approximately 86.3% of budgeted tuition revenues. Overall enrollment is 0.4% lower than budgeted, but tuition revenue is projected to be on target.

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 \$50.3 million or 48.1% of the amount budgeted.

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Auxiliary Enterprise Revenue for the first six months of Fiscal Year 2013 was \$91.9 million which represented 49.5% of the annual budgeted amount. Auxiliary revenue consisted primarily of Room and Board Fees which reflect rate increases of 3.0%. At year end, this category will be less than budgeted due to fewer students housed, meal plans and Athletic ticket sales than anticipated.

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 2013, Gifts, Grants and Contracts revenue of \$33.8 million, which included \$2.7 million from the UConn Foundation, was 41.4% of the annual budget. This category is expected to be less than budget at year end. While additional federal financial aid funds are expected, the forecast anticipates less funding from the Foundation to support Athletics.

Investment Income for the first two quarters of Fiscal Year 2013 was \$0.2 million. Interest rates continue to be low with the rate for December 2012 at 0.18% which is the same as it was in December 2011. Investment income for the year is projected to be slightly more than budgeted. 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 \$9.6 million and are expected to be higher than budget for the year.

Revenues - Research Fund

For the first six months, **Research Fund** revenues were \$46.7 million and represented 49.4% of the amount budgeted. This category is projected to be less than budget at year-end due to less research activity.

Expenditures - Operating Fund

Total Operating Fund expenditures (excluding transfers) for the first six months of Fiscal Year 2013 were \$466.8 million or 50.8% of the annual budgeted amount. The spending pattern for the first half of Fiscal Year 2012 reflected expenditures of 49.7% of the annual budget. Individual categories of expenditures as a percentage of the annual budget were as follows:

Personal Services	50.6%
Fringe Benefits	54.6%
Other Expenses	49.5%
Equipment	46.6%
Student Aid	49.5%

Personal Services/Fringe Benefits represented 51.7% of the annual budgeted amount of \$582.1 million. The official full-time faculty count (based on IPEDS federal reporting standards) is 47 more than the prior year. This category is expected to be over budget at year end due to higher fringe benefit rates than originally budgeted.

Other Expenses (including energy costs) were \$95.7 million for the first six months and represented 49.5% of the amount budgeted. While Energy expenditures are projected to be under budget for the year due to favorable prices and lower usage, this category will be over budget due to higher expenditures than budgeted in Athletics.

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Equipment expenditures of \$8.3 million were 46.6% of the amount budgeted. This category is expected to be under budget at year end.

Student Aid funds are predominantly expended in the first and third quarter of the fiscal year. For the first two quarters, Student Aid expenditures were \$62.1 million and represented 49.5% of the amount budgeted. This category is expected to be over budget for the year due to the additional federal funding.

Expenditures - Operating Fund Transfers

Net Transfers for the first two quarters were \$3.3 million and consisted of transfers to Plant Funds for construction projects, bond and installment loan payments, and payments for the capital lease for the cogeneration plant. Transfers are expected to be slightly more than budgeted at year-end.

Expenditures - Research Fund

Finally, **Research Fund** expenditures and transfers totaled \$47.4 million and represented 49.6% of the budgeted amount. In Fiscal Year 2012, Research Fund expenditures and transfers reported in the first six months represented 48.1% of the budgeted amount. Due to the variability of research expenditures, quarterly comparisons are not necessarily indicative of annual results. However, this category is projected to be less than budget at year-end due to less research activity.

Enrollment

Total University enrollment for fall 2012 (excluding the Health Center) is down 0.9% from fall 2011 and undergraduate enrollment (degree and non-degree) is down 0.8%.

Fund Balance

The University's budget was projected to have a net loss of \$1.0 million for the fiscal year ended June 30, 2013, which would have resulted in a Current Funds Unrestricted Fund Balance of \$72.2 million (Operating Fund-\$53.6 million; Research Fund-\$18.6 million). This fund balance represented 7.9% of the current year's unrestricted expenditure budget (\$919.1M). At the end of the first six months, we are forecasting a greater net loss at year-end of approximately \$20.8 million which would result in a Current Funds Unrestricted Fund Balance of \$52.4 million or 5.6% 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 expenditures in the current and future fiscal years.

UNIVERSITY OF CONNECTICUT
Statement of Operating Budget Revenues and Expenses
For the Months Ending
12/31/2012

	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)	\$ 206,906,340	\$ -	\$206,906,340	\$ -	\$ 206,906,340	\$ 105,402,213	\$ -	\$105,402,213	\$ -	\$ 105,402,213	
State Allotment Fringe Benefits	85,590,689	-	85,590,689	-	85,590,689	45,946,365	-	45,946,365	-	45,946,365	
Total State Support	292,497,029	-	292,497,029	-	292,497,029	151,348,578	-	151,348,578	-	151,348,578	
Tuition	271,585,298	-	267,131,672	4,453,626	271,585,298	137,532,768	-	133,032,218	4,500,550	137,532,768	
Fees	104,515,826	-	72,096,037	32,419,789	104,515,826	50,294,649	-	17,874,860	32,419,789	50,294,649	
Grants & Contracts	155,809,912	94,313,000	60,277,167	1,219,745	61,496,912	77,715,791	46,660,183	30,634,823	420,785	31,055,608	
Foundation	20,225,064	230,000	10,175,864	9,819,200	19,995,064	2,679,449	18,689	2,526,555	134,205	2,660,760	
Investment Income	756,400	-	686,320	70,080	756,400	242,597	-	224,599	17,998	242,597	
Sales and Services of Ed Activities	17,530,635	27,000	17,503,635	-	17,503,635	6,676,431	3,151	6,673,280	-	6,673,280	
Auxiliary Enterprise	185,532,371	-	-	185,532,371	185,532,371	91,926,678	-	-	91,926,678	91,926,678	
All Other Sources	5,496,838	50,000	5,396,838	50,000	5,446,838	2,909,372	33,662	2,875,710	-	2,875,710	
Total Revenues	\$ 1,053,949,373	\$ 94,620,000	\$ 725,764,562	\$ 233,564,811	\$ 959,329,373	\$ 521,326,314	\$ 46,715,685	\$ 345,190,624	\$ 129,420,005	\$ 474,610,629	
Expenses											
Personal Services	\$ 468,538,234	\$ 42,857,808	\$ 362,413,295	\$ 63,267,131	\$ 425,680,426	\$ 236,040,736	\$ 20,662,566	\$ 183,927,017	\$ 31,451,153	\$ 215,378,170	
Fringe Benefits	166,791,960	10,418,718	133,309,974	23,063,268	156,373,242	90,023,067	4,676,168	72,843,678	12,503,221	85,346,899	
Other Expenses	220,374,820	27,149,763	110,270,232	82,954,825	193,225,057	107,806,487	12,146,825	58,017,783	37,641,879	95,659,662	
Equipment	23,750,803	5,861,721	15,667,194	2,221,888	17,889,082	11,236,714	2,891,546	7,570,584	774,584	8,345,168	
Fixed Charges/Student Aid	129,727,633	4,250,000	113,061,220	12,416,413	125,477,633	63,865,512	1,745,433	56,537,332	5,582,747	62,120,079	
Total Expenses	\$ 1,009,183,450	\$ 90,538,010	\$ 734,721,915	\$ 183,923,525	\$ 918,645,440	\$ 508,972,516	\$ 42,122,538	\$ 378,896,394	\$ 87,953,584	\$ 466,849,978	
Transfers											
Non Mandatory	45,765,923	\$ 5,081,990	\$ (8,957,353)	\$ 49,641,286	\$ 40,683,933	\$ 8,555,263	\$ 5,306,741	\$ (12,897,807)	\$ 16,146,329	\$ 3,248,522	
Reserves to State General Fund	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Expense/Transfer	\$ 1,054,949,373	\$ 95,620,000	\$ 725,764,562	\$ 233,564,811	\$ 959,329,373	\$ 517,527,779	\$ 47,429,279	\$ 365,998,587	\$ 104,099,913	\$ 470,098,500	
Net Gain (Loss)	\$ (1,000,000)	\$ (1,000,000)	\$ -	\$ -	\$ -	\$ 3,798,535	\$ (713,594)	\$ (20,807,963)	\$ 25,320,092	\$ 4,512,129	

(1) State Appropriation \$205,631,967
Accrual 1,274,373
Adjusted Appropriation \$206,906,340

UNAUDITED
University of Connecticut (Storrs & Regionals)
Estimated Annual Changes in Unrestricted Net Assets
FY 2013

	<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>	<u>Total</u>
<i>Net Assets, 6/30/12</i>					
Restricted	\$18,465,846	\$1,069,328	\$19,535,174	\$1,298,367,387	\$1,317,902,561
Unrestricted	53,610,994	19,621,942	73,232,936	97,967,308	171,200,244
Total Net Assets, 6/30/12	\$72,076,840	\$20,691,270	\$92,768,110	\$1,396,334,695	\$1,489,102,805

Unrestricted Revenues & Expenditures/Debt Service FY13

		<u>Operating Fund</u>	<u>Research Fund</u>	<u>Subtotal</u>	<u>Other Funds</u>		<u>Total</u>
					<u>Internally Designated for Retirement of Indebtedness</u>	<u>Unexpended Plant Funds</u>	
Revenues		\$ 959,329,373	\$ 94,620,000	\$ 1,053,949,373	\$ 1,000	\$ -	\$ 1,053,950,373
Transfers In		4,180,668	1,307,810	5,488,478	19,940,696	25,923,904 ^A	51,353,078
	Subtotal	\$ 963,510,041	\$ 95,927,810	\$ 1,059,437,851	\$ 19,941,696	\$ 25,923,904	\$ 1,105,303,451
Expenditures/Debt Service		\$ 918,645,441	\$ 90,538,010	\$ 1,009,183,451	19,940,696	\$ 41,100,000	\$ 1,070,224,147
Transfers Out		44,864,600	6,389,800	51,254,400	-		51,254,400
	Subtotal	\$ 963,510,041	\$ 96,927,810	\$ 1,060,437,851	\$ 19,940,696	\$ 41,100,000	\$ 1,121,478,547
Net Increase (Decrease)		\$ -	\$ (1,000,000)	\$ (1,000,000)	\$ 1,000	\$ (15,176,096)	\$ (16,175,096)

Unrestricted Net Assets, 6/30/12

Non-spendable	\$ 7,625,680	-	\$ 7,625,680	-	\$ 87,826	\$ 7,713,506
Committed	-	-	-	-	54,406,870	54,406,870
Assigned	45,985,314	19,621,942	65,607,256	25,215,293	18,257,319	109,079,868
Unrestricted Net Assets, 6/30/12	\$ 53,610,994	\$ 19,621,942	\$ 73,232,936 ^B	\$ 25,215,293	\$ 72,752,015	\$ 171,200,244
Projected Operating Change	-	(1,000,000)	(1,000,000)	-	-	(1,000,000)
Projected Non-Operating Change	-		-	1,000	(15,176,096)	(15,175,096)
Estimated Unrestricted Assets 6/30/13	\$ 53,610,994	\$ 18,621,942	\$ 72,232,936	\$ 25,216,293	\$ 57,575,919	\$ 155,025,148

^A Primarily represents transfers for auxiliary projects which are funded from revenue generated from room and board. 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 and Dining Services 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.

^B Board of Trustees reserve policy is 90 days of current fund expenditures. The current balance represents approximately 29 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 assets 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 investigators.

~Internally designated for retirement of indebtedness represents approximately 1.26 times our annual debt payments.

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

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