



FY21 Budget Update UConn and UConn Health

Board of Trustees
9/30/2020

UConn

Storrs and Regional Campuses

Overview

Source of fiscal challenge is shifting from lost housing revenues to mounting student support and financial aid costs. Unfunded legacy costs remain.

- Before the pandemic, UConn generated operating surpluses before covering unfunded legacy costs.
 - High legacy costs (\$31M in FY21) are an ongoing problem that impacts our research and clinical competitiveness
- Since the pandemic, UConn took aggressive steps to keep our students, faculty, and staff safe from the virus while continuing to deliver high quality education and research.
 - Research activities restarted under strict safety protocols; usage of classrooms and residential halls down to 40% of capacity
- Newest challenge is the increasing need for student safety and financial aid.

Impact of Unfunded Legacy and COVID Costs

Annual budget cuts of \$22-28m continue to be required to address \$30-38m in unfunded legacy costs. COVID impacts compound losses in FY20 and FY21, requiring aggressive mitigation efforts and labor and/or state assistance.

Changes in operating position	Deficit Mitigation (in millions)				
	FY19	FY20 Budget	FY20 COVID*	FY21 Current	FY21 Early Close
Initial Operating Gain/(Loss)	17.7	11.4	(22.2)	(69.6)	(103.5)
Net SERS unfunded legacy costs	(34.0)	(31.0)	(38.2)	(30.9)	(30.9)
Initial Deficit	(16.3)	(19.6)	(60.4)	(100.5)	(134.4)
Budget cuts allocated to departments**	22.8	0.0	28.0	25.0	25.0
Deficit after initial rescission	\$ 6.5	\$ (19.6)	\$ (32.4)	\$ (75.5)	\$ (109.4)
Covid mitigation			30.0	48.0	60.0
Final Net Gain / (Loss)	\$ 6.5	\$ (19.6)	\$ (2.4)	\$ (27.5)	\$ (49.4)
* FY20 change in initial operating position is equal to \$33m in refunds as a result of COVID.					
** Includes attrition, efficiency gains, and operational reductions.					

FY20 Update

In FY20 UConn was able to cover the \$33.6M in refunds with federal CARES Act funding and departmental spending savings attributed to the spending freeze.

	FY19 Actuals	FY20 BOT Budget	FY20 Updated COVID Forecast	FY20 FINAL	Notes
Revenues:					
State Support	\$ 356.7	\$ 371.5	\$ 370.8	\$ 376.7	
Tuition	426.4	443.3	443.5	445.3	
Mandatory/Course Fees	137.7	146.5	150.8	154.5	
Grants & Contracts	88.4	86.1	120.0	118.4	CARES funding
Auxiliary Enterprise	218.9	218.3	171.3	177.6	Housing/Dining refunds
Other Revenue (incl Foundation reimb.)	85.3	60.3	78.9	70.9	Accounting change; offset in expenditures
Research Fund	122.2	118.0	121.5	118.9	
Total Revenues	\$ 1,435.5	\$ 1,444.0	\$ 1,456.9	\$ 1,462.3	
Expenditures:					
Salaries & Wages	501.2	521.7	529.0	531.6	
Fringe Benefits	285.9	318.7	305.0	305.9	
Other Expenses (incl energy/equip.)	281.7	280.3	274.7	273.2	Spending freeze, telecommuting, dining reductions
Student Financial Aid	188.2	194.7	211.8	211.7	Increased spend from CARES funding
Projects/Debt	49.6	31.1	22.0	22.5	Reduced funding available for projects
Research Fund	122.4	117.1	121.6	119.8	
Total Expenditures	\$ 1,429.0	\$ 1,463.6	\$ 1,464.1	\$ 1,464.7	
Net Gain/(Loss)	\$ 6.5	\$ (19.6)	\$ (7.2)	\$ (2.4)	

FY21 Projected Deficit

- Initial deficit scenarios ranged from \$47m to \$129m (Apr)
- Factors that improved fiscal situation
 1. Strong demand by degree-seeking students
 2. Strategies to recruit more out-of-state students and contract with universities overseas to keep our international students
- Factors that hurt fiscal situation
 1. Continuation of pandemic will affect spring semester
 2. Decision to reduce capacity to 40% was necessary for safety reasons
- Current deficit estimate is now **\$76M** (Sep)
 - If we are forced to close campus early, deficit estimate rises to \$109M.

10th Day Enrollment Census

1. Initial projected enrollment declines due to COVID: in-state students (-5%), out-of-state (-7%), and international students (-40%).
2. Enrollment Management and Global Affairs developed strategies to mitigate enrollment losses of out-of-state and international students.
3. Actual enrollment: in-state students (+2%), out-of-state (+5%), and international students (-4%).

10th Day Enrollment Census	Fall 2019	Fall 2020	% Change Fall 2019 to Fall 2020
First-year First-time Students:			
Storrs Campus	3,603	3,825	6.2%
Regional Campuses	1,738	2,021	16.3%
All Campuses	5,341	5,846	9.5%
Undergraduates:			
Storrs Campus	18,847	18,917	0.4%
Regional Campuses	5,053	5,454	7.9%
All Campuses	23,900	24,371	2.0%
All Graduates:			
All Campuses	7,097	6,928	-2.4%
Professional:			
Law	536	562	4.9%
Pharm.D.	154	162	5.2%
Total Headcount	31,687	32,023	1.1%

First-year First-time Students - Regional Campuses	Fall 2019	Fall 2020	% Change Fall 2019 to Fall 2020
Avery Point	196	219	11.7%
Hartford	631	666	5.5%
Stamford	674	781	15.9%
Waterbury	237	355	49.8%
Undergraduates - Regional Campuses			
Avery Point	559	564	0.9%
Hartford	1,562	1,683	7.7%
Stamford	2,126	2,354	10.7%
Waterbury	806	853	5.8%

Note: An additional 648 students are in Schools of Medicine and Dental Medicine as of 9/14/2020.

Change in FY21 COVID Fiscal Impact Estimates

Current estimate made based on 10th day Census. June estimate made under extreme uncertainty.

Impacted FY21 Revenues & Expenses (\$M)	Current Estimate		
	June BOT (mid case)	Current	Notes
Tuition revenue	(24.4)	6.6	Growth in in-state and domestic out-of-state students offset losses in international students
Net housing, dining & fee revenue	(33.4)	(67.0)	Assumed 70% capacity in June; Dropped to 39% by Sept.
Financial aid expenses	-	(7.4)	Increase in need-based aid
Net other expenses	-	(0.7)	Additional expenses offset by savings
<u>COVID impact</u>	<u>(57.8)</u>	<u>(68.5)</u>	
Original Pre-COVID deficit	(7.0)	(7.0)	
<u>Total Impact</u>	<u>(64.8)</u>	<u>(75.5)</u>	

FY21 Budget Tracker – Current Case

Of a \$76M projected deficit, \$35M in mitigation has been realized and \$13M will be realized throughout the year, leaving a \$28M deficit yet to address.

Current Estimate	FY 21 Budget	Realized	Mitigation Plan Identified	Current balance
State Block Grant cut (incl fb)	(4,643,460)			
Net loss of housing/dining/other fees	(66,893,629)			
Net program revenues/expenses	(3,984,121)			
Deficit	(75,521,210)			
Mitigation plans				
Departmental expense savings	22,000,000	12,000,000	10,000,000	-
Capital reallocation	9,000,000	9,000,000		-
University wide program cuts	13,000,000	13,000,000	-	-
Furlough - management	4,000,000	522,633	3,477,367	-
Federal Funds (est)	-	-	-	-
Remaining Deficit Mitigation / State Request	27,521,210	-	-	27,521,210
	-	-	-	-
	75,521,210	34,522,633	13,477,367	27,521,210

If this were to include the State unfunded legacy costs at \$30.9M, the request would total \$59M.

Deficit Mitigation w/Early Close Scenario

Deficit mitigation estimate is \$109M if we are forced to close early, and rises by \$2m for each week we close before Nov 1.

	Current Estimate	Early Close Scenario
State Block Grant lapse/cut (incl fringe)	(4,643,460)	(4,643,460)
Loss of housing/dining/other fees	(66,893,629)	(109,273,839)
Net program revenues/expenses	(3,984,121)	4,477,697
Deficit	(75,521,210)	(109,439,602)
Mitigation plans identified		
Departmental expense savings	22,000,000	22,000,000
Capital reallocation	9,000,000	13,000,000
University-wide program cuts	13,000,000	21,000,000
Furlough - management	4,000,000	4,000,000
	48,000,000	60,000,000
State Request/Remaining Deficit Mitigation*	(27,521,210)	(49,439,602)

If this were to include the State unfunded legacy costs at \$30.9M, the request would total \$59M in the current case and \$89M with an early closure.

FY21 Detail

With current mitigation plan and 10th day updates, the current deficit is **\$28M**.

	FY21 Budget Current Estimate	FY21 Budget Close 11/1	FY21 Budget Current Estimate	FY21 Budget Close 11/1
Revenues:			WITH MITIGATION	
State Support	\$ 392.3	\$ 392.3	\$ 396.5	\$ 396.5
Tuition	461.2	461.2	454.8	454.8
Mandatory/Course Fees	146.7	146.7	133.6	130.5
Grants & Contracts	90.6	90.6	100.5	100.5
Auxiliary Enterprise	159.0	116.6	114.4	74.4
Other Revenue (incl Foundation reimb.)	88.6	88.6	90.2	90.2
Research Fund	124.3	124.3	124.3	124.3
Total Revenues	\$ 1,462.8	\$ 1,420.4	\$ 1,414.4	\$ 1,371.2
Expenditures:				
Salaries & Wages	548.3	548.3	543.9	538.9
Fringe Benefits	326.2	326.2	320.8	317.9
Other Expenses (incl energy/equip.)	296.4	296.4	212.1	198.8
Student Financial Aid	211.9	211.9	216.6	216.6
Projects/Debt	30.5	30.5	25.2	25.2
Research Fund	123.3	123.3	123.3	123.3
Total Expenditures	\$ 1,536.6	\$ 1,536.6	\$ 1,441.9	\$ 1,420.6
Actual Net Gain/(Loss)	\$ (73.8)	\$ (116.2)	\$ (27.5)	\$ (49.4)

\$50M got moved from net revenue (auxiliary/fees/other) to expense savings (other expenses).

Allocating COVID Cuts

- We are preparing to implement \$28M in additional cuts
 1. Send out budget call with flexible guiding rules on how to meet targets
 2. VP/AVPs & Deans respond with plans on how they would meet targets
 3. Leadership decides course of action

(\$ millions)	Additional Cuts		Total Cuts
	Cuts Implemented	Planned for Implementation*	
Academics	2	17	19
Administration	9	10	19
Athletics	2	1	3
Total Cuts	<u>13</u>	<u>28</u>	<u>41</u>

*When \$13m cuts were executed, we asked all units to plan for additional cuts.

Biennium Request

The first phase of the biennium request, submitted 9/1, included only limited technical adjustments.

State Appropriation Request	
FY 2021 Approved Appropriation	
Operating Expenses	\$ 208,979,109
Workers' Compensation Claims	2,271,228
FY 2021 Total	\$ 211,250,337
Collective Bargaining Increases - Annualization (5.5%)	1,294,747
Workers' Compensation Claims	390,541
New Facilities O&M	81,930
FY 2022 Total Requested Appropriation	\$ 213,017,555
27th payroll	8,087,456
New Facilities O&M	1,638,595
FY 2023 Total Requested Appropriation	\$ 222,743,606

Second phase of the biennium request, to submit on 10/2, includes request for **\$28M as a one-year COVID bridge** and seeking relief from 10% reduction in state block grant.

Ongoing Risks

Major risks include continuation of pandemic, lack of government support, and large and increasing fringe costs.

Enrollment

- Normal risk of Spring melt

COVID

- Potential for another outbreak in Fall or Spring
- Economic hardship of students/families putting pressure on financial aid budget

State Support

- 10% decrease in annual appropriation would cost \$39.7M (\$21m plus fringe), lowering state support per CT student from \$11,000 to \$9,000

Fringe Costs

- Fringe benefit rates—over which UConn has no control—continue to rise, and UConn must cover these costs with non-state funds

UConn Health Fiscal Year 2020 Update

FY 2020 Year-End

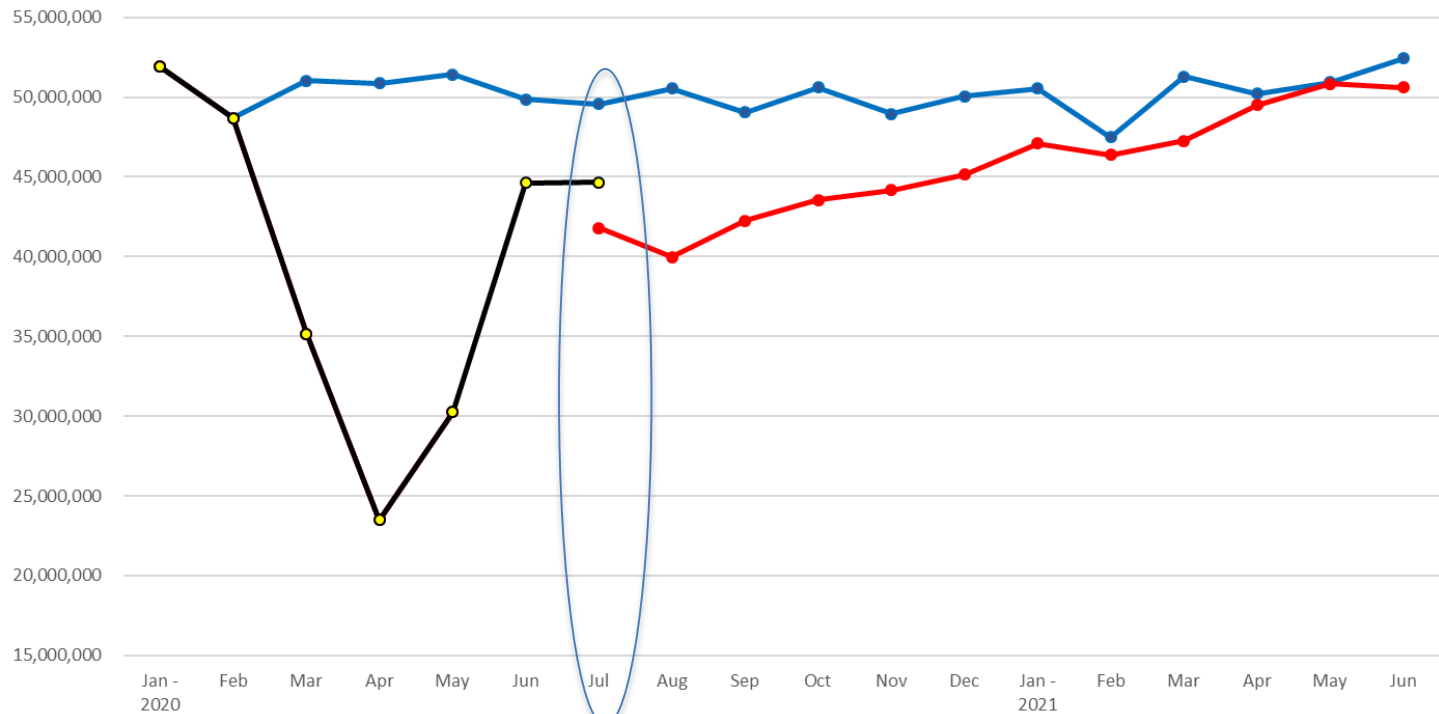
(Unaudited)

		Net Income/(Loss)		
	<i>Forecast</i>	Actual YTD	Budget YTD	Variance
(\$M)				
January		0.5	(6.2)	6.7
February		4.1	(7.1)	11.2
March		(9.2)	(8.0)	(1.2)
April		(20.3)	(8.8)	(11.5)
May		(37.0)	(9.7)	(27.2)
June	(42.1)	(29.5)	(10.6)	(18.9)

UConn Health Fiscal Year 2021 Update

UCH Net Patient Revenue is Favorable for the Month of July

Net Patient Revenue (per month) - JDH, UMG and Dental Clinics



- The reduction of Net Patient revenue is the main driver of the FY 21 UCH deficit.

Pre COVID FY 21 Budget Actual

FY 2021 Budget Tracker

	FY 21 Budget original BOD
UCH Loss*	(114,936,995)
Mitigation plans	
Capital deferral	4,936,995
Unfunded Legacy Cost Support**	53,800,000
Financial Improvement Plan (FIP)	40,000,000
Furlough - management	2,000,000
Federal Funds	10,000,000
Unidentified Mitigation for COVID -19 Losses	4,200,000
	-
Total Mitigation Plans	114,936,995

FY 2021 UCH Financial Improvement Project



Financial Improvement Project 6.0 - Overview

Initiatives Overview

Annualized Cumulative Benefit - Targeted and Realized

	7/31/2020	8/31/2020	9/30/2020	10/31/2020	11/30/2020	12/31/2020	1/31/2021	2/28/2021	3/31/2021	4/30/2021	5/31/2021	6/30/2021
Targeted	\$ 7,816,629	\$ 10,742,390	\$ 13,668,151	\$ 16,593,912	\$ 19,519,673	\$ 22,445,434	\$ 25,371,195	\$ 28,296,956	\$ 31,222,717	\$ 34,148,478	\$ 37,074,239	\$ 40,000,000
Realized	\$ 7,816,629	\$ 14,909,688	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,909,688
Percent realized	100.0%	138.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	37.3%

Key Initiatives:

	Annual Target	Implemented YTD Savings	% Implemented	Estimated Annual Savings	% Est Annual Savings
Clinical Operational Initiatives - JDH	20,381,000	10,108,223	49.6%	15,201,078	74.6%
Clinical Operational Initiatives - UMG	9,457,000	3,442,469	36.4%	4,423,021	46.8%
Academic Initiatives - SOM	5,131,000	565,453	11.0%	1,374,513	26.8%
Academic Initiatives - SODM	2,022,000	358,919	17.8%	1,417,094	70.1%
Research Initiatives	3,009,000	434,622	14.4%	2,557,421	85.0%
TOTAL TARGET	\$ 40,000,000	\$ 14,909,688	37.3%	\$ 24,973,127	62.4%

FY 2021 Mitigation Identified

	Mitigation plans	Mitigation Plan Identified	Realized
Capital deferral	4,936,995	4,525,579	411,416
Furlough - management	2,000,000	1,833,333	166,667
Federal Funds	10,000,000	-	10,000,000

FY 2021 Open Mitigation Plans

	Mitigation plans
Unfunded Legacy Cost Support**	53,800,000
Unidentified Mitigation for COVID -19 Losses	4,200,000

Per discussions with OPM, for state planning purposes, we have been asked to assume \$33.2M for unfunded legacy costs (consistent with Gov. proposed FY 21 budget adjustment during the 2020 legislative session); this represents a portion of the \$53.8M we have requested from the legislature to address the financial burden posed by the state’s unfunded legacy costs.

Current State Request

As presented to the Appropriations Committee on August 28, 2020

	FY 21 Year End Forecast
	(in Millions)
Unfunded Legacy Costs	(53.8)
COVID-19 Related Losses	(61.1)
Deficit	(114.9)
<u>Mitigation plans:</u>	
Capital deferral	4.9
Financial Improvement Plan (FIP)	40.0
Furlough - management	2.0
Federal Funds	10.0
	56.9
FY 21 Deficiency	(58.0)
<i>Unfunded Legacy Cost Support*</i>	<i>(53.8)</i>
<i>Remaining COVID Losses</i>	<i>(4.2)</i>
FY 20 Deficiency	(18.9)
<i>COVID Losses</i>	<i>(18.9)</i>
State Request	(76.9)
<p>* The legislature approved \$33.2 million in funding to UConn Health in FY20 to address a portion of the state's unfunded legacy costs charged to UConn Health. In FY21, the state's unfunded legacy costs are expected to reach \$53.8 million. The Governor's proposed FY21 budget included \$33.2 million toward that cost.</p>	

UConn Health FY 21 Budget

UConn Health Fiscal Year 2021													
	Actual	Forecast											
Monthly Spread	July	Aug	Sept	Oct	Nov	Dec	Jan	Feb	March	April	May	June	TOTAL
	(12.4)	(15.3)	(11.7)	(11.7)	(9.0)	(10.0)	(2.3)	(4.2)	(8.6)	(6.9)	(8.3)	(14.8)	(114.9)
Mitigation Plans													
Capital deferral	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	4.9
Financial Improvement Plan (FIP)	7.8	7.1											14.9
Furlough - management	0.2	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.1	0.2	0.2	0.1	2.0
Federal Funds	10.0												10.0
Unfunded Legacy Cost Support	-												-
Block Grant advance	7.9	4.7	4.7	4.7	4.7	4.8				(10.5)	(10.5)	(10.5)	-
Associated In-kind Fringe	6.7	4.6	4.6	4.6	4.6	4.7				(9.9)	(9.9)	(10.0)	-
Adjusted Budget	20.6	1.7	(1.9)	(1.8)	0.9	(0.0)	(1.7)	(3.6)	(8.1)	(26.7)	(28.1)	(34.7)	(83.1)

- Adjusted Budget will change each month based on operational performance and accomplishment of outstanding mitigation initiatives.