

University of Connecticut (Storrs & Regional Campuses)

FY 2008 Budget Review

The following narrative and schedule provide information on the main drivers of the University of Connecticut Storrs-based operating budget. The amounts presented here are subject to year-end closeout and audit adjustments.

- ✦ **Total Revenue** – For the year ended June 30, 2008, total Operating and Research Fund revenues are forecasted to be \$907.6 million or 0.7% more than budgeted. The Operating and Research Funds have a positive variance from budget of \$6.6 million. This is primarily due to positive variances in Fees of \$3.1 million, Grants & Contracts of \$4.8 million, Sales & Service of Education Activities of \$0.6 million, Other Revenue of \$0.7 million, and \$4.1 million of Research Fund. This is offset by projected negative variances of \$0.6 million in Tuition, \$1.0 in Investment Income, and \$5.1 million in Auxiliary Enterprises revenues.
- ✦ **Tuition Revenue** – Total net tuition revenue is forecasted to be \$190.5 million which is slightly less than budget due to lower enrollment than projected. Fall 2007 enrollment for total undergraduate degree-seeking students was up 0.8% compared to Fall 2006. The tuition revenue budgeted was based on a 5.6% rate increase. Undergraduate enrollment generates approximately 87% of actual tuition revenues.
- ✦ **Fees** – Fee revenue is forecasted to be \$78.3 million which is \$3.1 million more than budget. Fee collections for the year were up primarily due to higher enrollment (MBA, HS Co-op Courses), additional Summer Session and Study Abroad revenue, and greater than budgeted application fee revenue.
- ✦ **Grants & Contracts** – Grants & Contracts are forecasted to exceed the budget of \$65.2 million by \$4.8 million. Contributing to the overage are additional state and federal funds for financial aid and greater than budgeted miscellaneous grants and contracts (i.e. Connecticut Education Network Advanced Services).
- ✦ **Investment Income** – Investment income is forecasted to be less than the FY08 budget of \$11.1 million with revenues of \$10.1 million. Interest rates have continued to fall throughout the year with the rate for May 2008 at 2.31% compared to 5.36% in May 2007.
- ✦ **Auxiliary Enterprise Revenue** – This category is forecasted to be \$5.1 million less than budgeted. Jorgensen Center for the Performing Arts and Dining Services & Residential Life are all forecasted to realize lower than budgeted external departmental receipts.
- ✦ **Total Expenditures** – Total Operating and Research Fund expenditures/transfers are forecasted to be \$901.1 million and are less than budgeted. Operating Fund expenditures are under budget by \$6.3 million and Research Fund expenditures are ahead of budget by \$4.1 million and are in line with the additional Research Fund revenues.
- ✦ **Personal Services Expenditures** – Operating Fund Personal Services expenditures (including fringe benefits) are \$514.5 million or \$1.5 million over budget. 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.
- ✦ **Other Expense** – Other Expenses are forecasted to be under budget by \$5.7 million. In large part, this under expenditure reflects timing issues in various areas across the university. Projects are in process and funds are encumbered, but final payments have not been made. This can be attributed to scheduling and/or time requirements in procurement.
- ✦ **Energy** – Energy costs are under budget by approximately \$2.6 million. This is largely due to the negotiation of a favorable gas contract as well as lower rates in the statewide energy contract.
- ✦ **Financial Aid Expenditures** – Financial Aid expenditures are on budget at \$81.0 million. However, the University has received additional state and federal funding in the amount of \$1.9 million. This will allow the University to replace tuition funds budgeted for financial aid with this funding.
- ✦ **Transfers** – This line reflects transfers to Plant Funds for various building improvements and bond and installment loan payments, as well as payments for the capital lease for the Cogeneration plant.
- ✦ **Net Gain (Loss)** – For the year ended June 30, 2008, there is a forecasted net gain of \$6.5 million. \$1.0 million of the net gain represents a reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union. \$1.96 million of the net gain represents unspent State appropriation funds for the Eminent Faculty program. The unspent funds will carry forward to Fiscal Year 2009 and be designated for this program. Also included is a forecasted savings in university funds of \$2.6 million in Energy and \$1.9 million in Financial Aid (replaced by additional state/federal funds). The actual year-end net gain (loss) will depend on year-end accruals and audit adjustments.

University of Connecticut (Storrs & Regionals)
Statement of Current Funds Budget Operations¹ and Variance Analysis
FY08 (unaudited)
(Dollars in Millions)

	Budget	Forecast	Variance	% Change
Current Funds Revenues:				
Operating Fund				
State Support	\$325.3	\$325.3	\$0.0	
Tuition	191.1	190.5	(0.6)	
Fees	75.2	78.3	3.1	
Grants & Contracts	65.2	70.0	4.8	
Investment Income	11.1	10.1	(1.0)	
Sales & Service Education	14.9	15.5	0.6	
Auxiliary Enterprise Revenue	139.1	134.0	(5.1)	
Other Revenue	<u>9.8</u>	<u>10.5</u>	<u>0.7</u>	
Total Operating Fund	831.7	834.2	2.5	
Research Fund	<u>69.3</u>	<u>73.4</u>	<u>4.1</u>	
Total Current Funds Revenues	\$901.0	\$907.6	\$6.6	0.7%
Current Funds Expenditures / Transfers:				
Operating Fund				
Personal Services	\$380.2	\$381.0	\$0.8	
Fringe Benefits	132.8	133.5	0.7	
Other Expenses	160.4	154.7	(5.7)	
Energy	31.6	29.0	(2.6)	
Equipment	10.5	11.0	0.5	
Student Financial Aid	81.0	81.0	0.0	
Transfers	<u>37.5</u>	<u>37.5</u>	<u>0.0</u>	
Total Operating Fund	834.0	827.7	(6.3)	
Research Fund	<u>69.3</u>	<u>73.4</u>	<u>4.1</u>	
Total Current Funds Expenditures / Transfers	\$903.3	\$901.1	(\$2.2)	-0.2%
Net Gain (Loss)	<u>(\$2.3)</u>²	<u>\$6.5</u>	<u>\$8.8</u>	

¹ The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format. The current funds format shows gross student tuition and fees and does not net out scholarship allowances, as required in the financial statements which are prepared in the GASB Nos. 34/35 format. Scholarship allowances are shown as an expense item. In addition, the University's current funds format includes equipment purchases as an expense, does not include depreciation and does not include the State debt service commitment for interest.

² For the year ended June 30, 2008, there is a forecasted net gain of \$6.5 million. \$1.0 million of the net gain represents a reserve repayment for the November 2001 drawdown of \$11.5 million for Towers Dining Center and the Student Union. \$1.96 million of the net gain represents unspent State appropriation funds for the Eminent Faculty program. The unspent funds will carry forward to Fiscal Year 2009 and be designated for this program. Also included is a forecasted savings in university funds of \$2.6 million in Energy and \$1.9 million in Financial Aid (replaced by additional state/federal funds). The actual net gain (loss) will depend on year-end accruals and audit adjustments.

University of Connecticut
(Storrs & Regional Campuses)

	Fall 1995	Fall 1996	Fall 1997	Fall 1998	Fall 1999	Fall 2000	Fall 2001	Fall 2002	Fall 2003	Fall 2004	Fall 2005	Fall 2006	Fall 2007	Fall 95-07 Growth
<u>Full-Time Staff Headcount*</u>														
Executive/Administrative/Managerial	100	91	83	84	89	93	92	92	91	98	100	99	101	1.0%
Executive/Administrative/Managerial-% of Total	2.6%	2.5%	2.3%	2.2%	2.3%	2.4%	2.3%	2.3%	2.4%	2.4%	2.4%	2.3%	2.4%	
Faculty	1,148	1,106	1,040	1,096	1,122	1,121	1,130	1,165	1,107	1,200	1,251	1,264	1,294	12.7%
Faculty-% of Total	30.1%	30.0%	29.3%	29.2%	28.9%	28.5%	28.3%	28.7%	29.3%	29.9%	30.3%	29.9%	30.2%	
Professional & Classified Support	2,562	2,490	2,429	2,576	2,678	2,720	2,776	2,797	2,584	2,717	2,779	2,859	2,893	12.9%
Professional & Classified Support-% of Total	<u>67.3%</u>	<u>67.5%</u>	<u>68.4%</u>	<u>68.6%</u>	<u>68.9%</u>	<u>69.2%</u>	<u>69.4%</u>	<u>69.0%</u>	<u>68.3%</u>	<u>67.7%</u>	<u>67.3%</u>	<u>67.7%</u>	<u>67.5%</u>	
Total	3,810	3,687	3,552	3,756	3,889	3,934	3,998	4,054	3,782	4,015	4,130	4,222	4,288	12.5%
*Based on IPEDS reporting standards.														
<u>Student Headcount (Census)</u>														
Undergraduate	14,667	14,454	14,382	14,855	15,741	16,681	17,630	18,662	19,287	20,151	20,525	20,784	20,846	42.1%
Graduate/Professional	<u>7,804</u>	<u>7,351</u>	<u>6,867</u>	<u>6,543</u>	<u>6,500</u>	<u>6,254</u>	<u>5,950</u>	<u>6,711</u>	<u>6,869</u>	<u>6,943</u>	<u>7,073</u>	<u>7,210</u>	<u>7,344</u>	-5.9%
Total	22,471	21,805	21,249	21,398	22,241	22,935	23,580	25,373	26,156	27,094	27,598	27,994	28,190	25.5%
Students Housed On-Campus	6,957	7,089	6,898	7,626	8,248	8,674	8,856	10,284	11,053	11,139	11,524	11,647	11,205	61.1%
Degrees Awarded														Spring 96-07
ω Bachelor's	2,839	2,757	2,638	2,852	2,802	2,837	2,888	3,477	3,673	3,816	4,231	4,354		53.4%
Total	4,645	4,623	4,454	4,461	4,478	4,572	4,573	5,304	5,386	5,966	6,403	6,542		40.8%
<u>State Funding</u>	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	
Total State Support	\$183.1	\$188.3	\$204.2	\$213.2	\$234.9	\$238.4	\$259.4	\$260.9	\$256.5	\$273.1	\$285.7	\$305.9	\$325.3	77.7%
State Support as % of Revenues	43.1%	43.9%	44.8%	44.1%	43.4%	41.1%	41.0%	39.0%	36.6%	35.8%	35.4%	35.5%	35.8%	
<u>Student Costs</u>														
Tuition (In-State)	\$3,900	\$4,036	\$4,158	\$4,158	\$4,158	\$4,282	\$4,448	\$4,730	\$5,260	\$5,772	\$6,096	\$6,456	\$6,816	
Mandatory Fees	<u>910</u>	<u>938</u>	<u>1,084</u>	<u>1,172</u>	<u>1,246</u>	<u>1,314</u>	<u>1,376</u>	<u>1,424</u>	<u>1,552</u>	<u>1,718</u>	<u>1,816</u>	<u>1,906</u>	<u>2,036</u>	
Tuition & Mandatory Fees	\$4,810	\$4,974	\$5,242	\$5,330	\$5,404	\$5,596	\$5,824	\$6,154	\$6,812	\$7,490	\$7,912	\$8,362	\$8,852	84.0%
Tuition & Mandatory Fee Increases	2.08%	3.41%	5.39%	1.68%	1.39%	3.55%	4.07%	5.67%	10.69%	9.95%	5.63%	5.69%	5.86%	Compounded 5.21%
National Average Tuition & Mandatory Fees	\$2,811	\$2,975	\$3,111	\$3,247	\$3,362	\$3,508	\$3,766	\$4,098	\$4,645	\$5,126	\$5,492	\$5,804	\$6,185	120.0%
New England Average Tuition & Mandatory Fees	\$4,237	\$4,315	\$4,526	\$4,635	\$4,677	\$4,748	\$4,890	\$5,353	\$6,239	\$6,876	\$7,255	\$7,658	\$8,116	91.6%
Room & Board Rates	\$5,124	\$5,302	\$5,462	\$5,544	\$5,660	\$6,062	\$6,298	\$6,542	\$6,888	\$7,404	\$7,704	\$8,266	\$8,850	72.7%
National Average Room & Board Rates	\$3,932	\$4,167	\$4,358	\$4,522	\$4,718	\$4,931	\$5,266	\$5,574	\$5,885	\$6,250	\$6,623	\$7,033	\$7,404	88.3%
Total Student Costs	\$9,934	\$10,276	\$10,704	\$10,874	\$11,064	\$11,658	\$12,122	\$12,696	\$13,700	\$14,894	\$15,616	\$16,628	\$17,702	78.2%
Total Cost Increases	1.53%	3.44%	4.17%	1.59%	1.75%	5.37%	3.98%	4.74%	7.91%	8.72%	4.85%	6.48%	6.46%	Compounded 4.93%
National Average Total Student Costs	\$6,743	\$7,142	\$7,469	\$7,769	\$8,080	\$8,439	\$9,032	\$9,672	\$10,530	\$11,376	\$12,115	\$12,837	\$13,589	101.5%

University of Connecticut Health Center

FY 2008 Budget Review (unaudited)


The following narrative and chart provide information on the main drivers of the University of Connecticut Health Center financial results for Fiscal 2008. The amounts presented here are subject to year-end closeout and audit adjustments.

Executive Summary - The factors affecting Fiscal Year 2008 results are: deficits at John Dempsey Hospital (JDH) and UConn Medical Group caused by actual volumes falling short of budgeted volume estimates; unfavorable shifts in payor mix at JDH; increased expenses for the clinical operations; and a decrease in Facilities and Administration Recovery amounts for research; offset by a favorable budget variance in utility costs.


The overall deficiency for Fiscal Year 2008 was projected at \$21.9 million, which was addressed by a state FY08 deficiency appropriation of \$21.9 million.

Total Revenue – For the year ended June 30, 2008, Total Revenues including total “State Support” are forecasted to be \$714.4 million. Total revenue was ahead of budget projections by about \$7.6 million or 1.1%. State Support from a deficiency appropriation was key. Negative results in Net Patient Revenue and Research Revenues were the primary drivers for the overall deficit.

- **Research** – Projected Research results for the year ended June 30, 2008, are unfavorable to budget by \$7.8 million or 8.3%, a decrease of \$3.7 million (4.1%) from the prior fiscal year. The unfavorable variance to budget is caused by reduced spending of direct research awards which impacts the Facilities and Administration Recovery amount. Research Awards for FY 2008 are forecasted to be \$7.6 million higher than FY 2007.
- **Other Revenues** – This category is projected to be below budget due to reduced draw downs from the Endowment accounts held by the UConn Foundation.
- **Net Patient Revenue** – For the year ended June 30, 2008, Net Patient Revenue is projected to be \$6.7 million or 2.1% under budget. John Dempsey Hospital is \$4.3 million below budget, due to volume being below the budgeted plan. In addition, UMG is short of budgeted revenues by \$0.5 million, the Dental Implant Center opening was delayed until July 2008 (but budgeted at \$1.4 million), and the Dental Clinics were \$0.5 million below budgeted income projections.
- **Correctional Managed Healthcare (CMHC)** – The forecasted favorable variance from budget of \$0.8 million includes funds allocated by the Finance Advisory Committee to address the Department of Correction deficiency.
- **Investment Income** – The projected unfavorable variance is due to the interest rate on the Short Term Investment Fund which has decreased significantly from the budgeted amount.
- **Total State Support** – This includes the State appropriation and the amount of fringe benefits supported by the state. This category is forecasted to be favorable to the budget due to the deficiency appropriation of \$21.9 million.

 **Total Expenditures** – For the year ended June 30, 2008, Total Expenditures are projected to exceed their budgeted amounts by about \$7.6 million or 1.1%, with Personal Services, Fringe Benefits and Drugs contributing to the variance. These items will be offset by favorable variances in Debts, Outside Agency, Drugs and Medical Supplies.

- **Personal Services** – For the year ended June 30, 2008, Personal Services expenditures are projected to be above budget by about \$2.9 million, or 0.8%. The unfavorable variance to budget is caused by an increase in the Compensated Balance Liability; increased staffing at JDH for departments with volume increases; positions hired that were offset by a decrease in agency use; and the hiring of seven faculty in UMG.
- **Fringe Benefits** – For the year ended June 30, 2008, Fringe Benefit expenditures are forecasted to be above budget by about \$1.6 million, or 1.6%. This cost tracks the personal services variance along with the actual rate charged by the State which was higher than the budgeted estimate.
- **Drugs and Medical** – For the year ended June 30, 2008, drugs and medical expenses are expected to be above budget by \$3.0 million, or 4.1%. The major driver for this is drug expenses at John Dempsey Hospital. Patient care required the use of high cost drugs; however, this is offset by payments from insurers due to carve out provisions in the managed care contracts.
- **Outside Agency** – For the year ended June 30, 2008, Outside Agency expenses are projected to be below budget by \$0.2 million or 9.5% and below last year by \$0.4 million. JDH managed this category to a favorable outcome.
- **Utilities** – For the year ended June 30, 2008, Energy expenditures are forecasted to be below budget by about \$2.4 million, or 12.7%.

 **Net Gain (Loss)** – For the year ended June 30, 2008, the Health Center had projected a deficiency of \$21.9 million, which is now addressed by a state deficiency appropriation of \$21.9 million.

University of Connecticut Health Center
Statement of Current Funds Budget Operations and Variance Analysis
FY08 Forecast (Unaudited)
(Dollars in Millions)

Current Funds Revenues:	Budget	Forecast	Variance	% Change
State Support	\$130.1	\$154.3	\$24.2	
Tuition	9.8	9.5	(0.3)	
Fees	5.3	5.4	0.1	
Gifts, Grants & Contracts	93.7	85.9	(7.8)	
Investment Income	3.6	3.0	(0.6)	
Interns & Residents	34.5	34.4	(0.1)	
Net Patient Care	307.0	300.3	(6.7)	
Correctional Managed Health Care	99.4	100.2	0.8	
Auxiliary Enterprise Education	13.4	12.1	(1.3)	
Other Revenue	<u>10.0</u>	<u>9.3</u>	<u>(0.7)</u>	
Total Current Funds Revenues	\$706.8	\$714.4	\$7.6	1.1%
Current Funds Expenditures / Transfers:				
Personal Services	\$349.2	\$352.1	\$2.9	
Fringe Benefits	98.3	99.9	\$1.6	
Drugs/Medical Supplies	72.6	75.6	\$3.0	
Medical Contractual Support	14.8	15.5	\$0.7	
Medical/Dental House Staff	34.9	34.7	(\$0.2)	
Outside Agency Per Diem	2.1	1.9	(\$0.2)	
Utilities	18.9	16.5	(\$2.4)	
Outside & Other Purchases	51.9	53.6	\$1.7	
Insurance	5.0	5.7	\$0.7	
Repairs & Maintenance	11.3	11.1	(\$0.2)	
Other Expenses	20.5	20.5	\$0.0	
Depreciation	<u>27.3</u>	<u>27.3</u>	<u>\$0.0</u>	
Total Current Funds Expenditures / Transfers	\$706.8	\$714.4	\$7.6	1.1%
Net Gain (Loss)	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	