




Office of the Executive Vice President for
Administration and Chief Financial Officer
Scott A. Jordan
Executive Vice President
for Administration
and Chief Financial Officer

June 28, 2017

TO: Members of the Board of Trustees 

FROM: Scott A. Jordan
Executive Vice President for Administration and Chief Financial Officer

RE: Presentations of the **DRAFT** Fiscal Year 2018 Capital and Operating Budgets for
the University of Connecticut, Storrs and Regional Campuses

On Monday, June 12, the Board of Trustees Financial Affairs Committee met to discuss and review the FY18 draft operating and capital budgets for the University of Connecticut, Storrs and Regional Campuses. The presentations from that meeting are attached. The agenda items were recommended to the full Board for approval.

As you know, the State has not adopted a budget for next fiscal year at this time. In part, this is due to the fact that the State is currently in the processes of bargaining with the State Employee Bargaining Agent Coalition (SEBAC) to finalize union contracts, which has a substantial impact on the State budget. The attached presentation provides the assumptions, information and background on UConn's FY18 budget, but there is tremendous uncertainty for some line items until the State budget is negotiated, and adopted. Specifically, the amount of UConn's appropriation is uncertain at this time, the SEBAC impact to the fringe benefit rate. Additionally, on the capital side the bond amount is not set as the bond bill is not yet approved.

At the Financial Affairs Committee meeting, it was decided that the best course of action was to approve the FY18 Operating and Capital budget resolutions by the full Board with the best estimates of anticipated revenue and expenditure based on the information we have at this time. Approving an FY18 budget will allow the University to continue to conduct essential business and move forward into the new fiscal year with a baseline budget. When the State Legislature passes the biennium budget, SEBAC is settled and a fringe rate is set by the State Comptroller, the Administration will return to the Board with an updated final budget that accounts for changes based on the impact of the final numbers.



FY18 DRAFT Budget Overview

June 12, 2017

DRAFT – as of 6/12/17

Agenda

1. FY17 End of Year Projection
2. FY18 UConn Budget: Expenses and Revenue
2. History of State Support
3. Most Challenging Areas
4. Biggest Opportunities
5. Conclusion: SWOT Summary

FY17 Year End Projection

UConn will end FY17 with balanced budget due to highly restrictive hiring, spending reductions, strategic cuts and increased tuition revenue.

Revenues (\$M)		Expenditures (\$M)	
Appropriation	220.8	Personal Services	490.1
Fringe Benefits & Adjustments	154.3	Fringe Benefits	245.6
Total State Support	\$ 375.0	Other Expenses	214.2
Tuition	374.7	Energy	22.1
Fees	132.3	Equipment	14.1
Grants & Contracts	78.3	Student Financial Aid	159.1
Foundation/Endowment	20.2	Debt Service/Projects	78.3
Sales & Services	18.1	Total Operating Fund	\$ 1,223.6
Auxiliary Enterprise Revenue	213.7		
Other Revenue	15.4	Research Fund	106.3
Total Operating Fund	\$ 1,227.8	Total Operating Expenditures	\$ 1,329.8
Research Fund	104.6	Net Gain/Loss	\$ 2.5
Total Current Funds Revenues	\$ 1,332.4		

Note: Use of decimals may result in rounding differences.

UConn Successes

The University has made significant gains and improved academic quality.

UConn successes:

- Top 25 Public National University (20th) in *U.S. News and World Report*
- Opening new Downtown Hartford campus location
- Decreased average time to degree to 4.2 years ranking 3rd among Public Research Peers
- Increased number of class offerings by 33%
- Graduated more students than ever before in our history
- Growth in STEM research and funding
- Increased academic quality of students
- Fall 2016 entering class included 78 valedictorians and 79 salutatorians
- 164 of CT's 169 cities and towns are represented
- Growth in enrollment, with 5,119 Freshmen welcomed in Fall 2016
- Reduced Student-to-Faculty Ratio
- Opening new Stamford campus residence hall

Balancing UConn's FY18 Budget

In order to achieve a balanced budget for FY18, the University has:

- Implemented significant University-wide spending cuts
- Restricted hiring
- Identified new revenue streams (Barnes and Noble, self-supporting programs, etc.)
- Strategic cuts to University departments
- Increased tuition (per four year plan)
- Increased enrollment
- Identified and implemented efficiencies

FY18 University DRAFT Operating Budget

The FY18 budget presented below is a DRAFT, as the State Appropriation, impact of SEBAC agreement and fringe benefit rate are unknown and could have a dramatic impact on overall budget.

Revenues (\$M)		Expenditures (\$M)	
Appropriation	211.2	Personal Services	496.2
Fringe Benefits & Adjustments	146.9	Fringe Benefits	248.3
Total State Support	\$ 358.1	Other Expenses	216.7
Tuition	390.1	Energy	24.9
Fees	134.8	Equipment	17.1
Grants & Contracts	77.5	Student Financial Aid	165.9
Foundation/Endowment	19.5	Debt Service/Projects	62.1
Sales & Services	18.3	Total Operating Fund	\$ 1,231.2
Auxiliary Enterprise Revenue	220.1		
Other Revenue	15.9	Research Fund	108.0
Total Operating Fund	\$ 1,234.3	Total Operating Expenditures	\$ 1,339.2
Research Fund	106.6	Net Gain/Loss	\$ 1.8
Total Current Funds Revenues	\$ 1,341.0		

The DRAFT budget assumptions include:

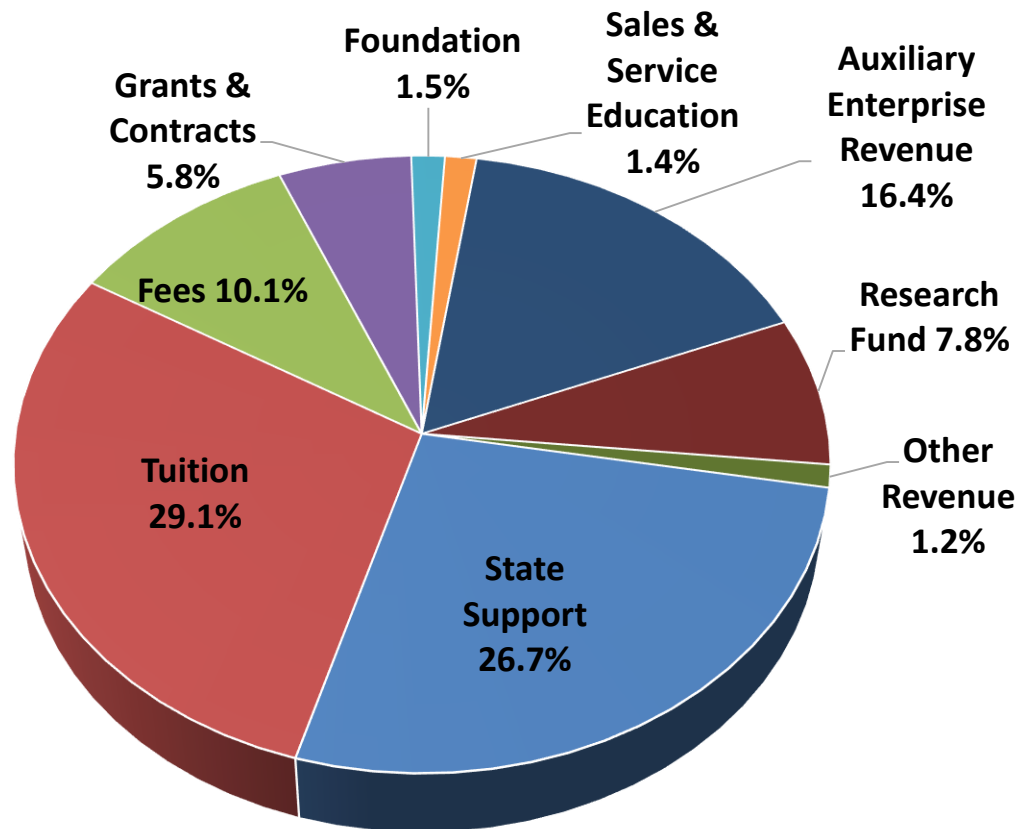
- The Governor's Proposed State Appropriation at \$211.2M.
- Tuition at previously approved rate
- Fringe at FY17 rate, with no increases for FY18.

Note: Use of decimals may result in rounding differences.

FY18 Revenue by Category

State support is an important and significant piece of the budget, however in FY18, tuition will be the largest revenue source, at over 29% of total revenues.

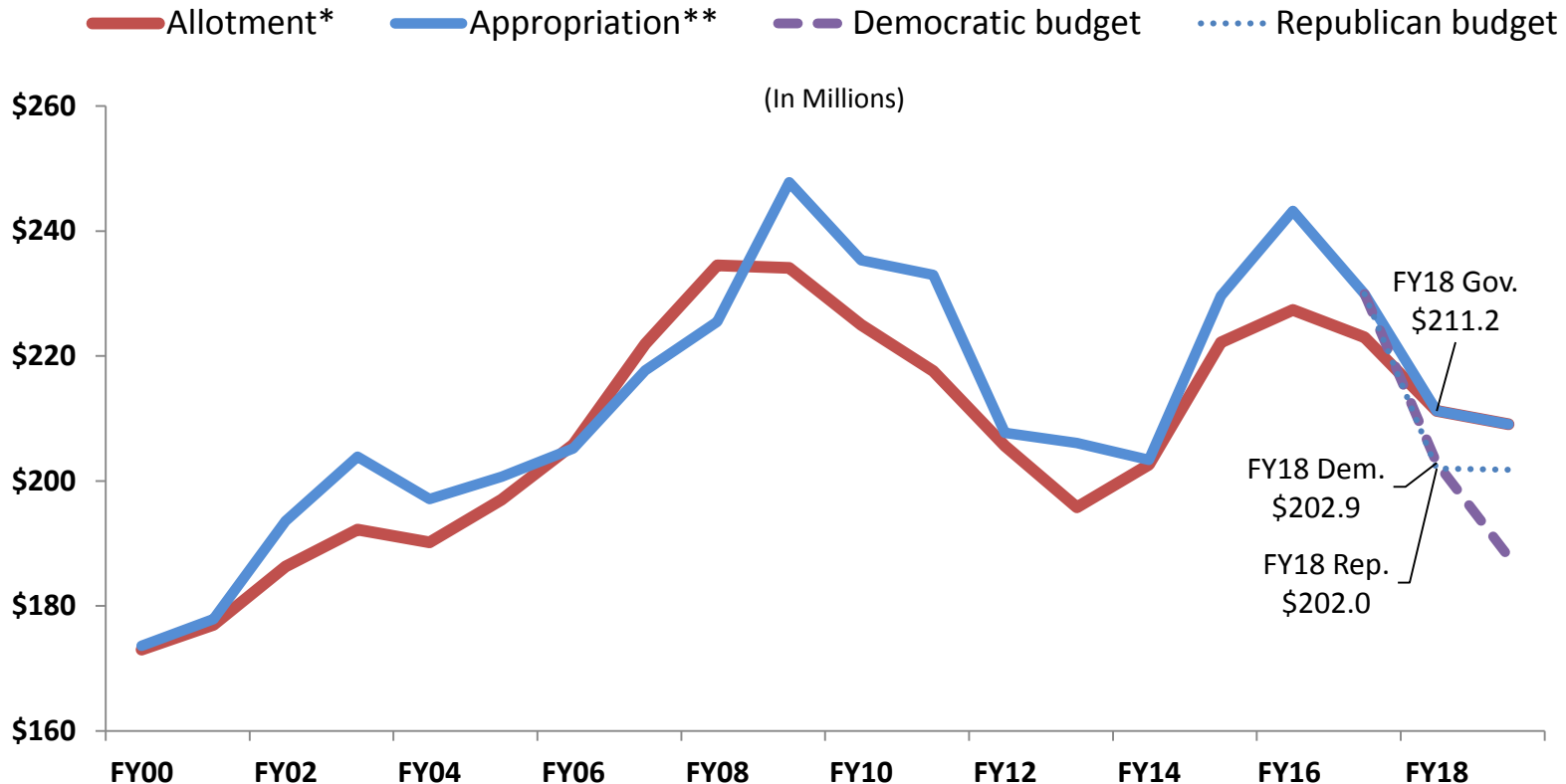
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State Appropriation

UConn supports the Governor's proposal, which represents an \$18.7M cut from FY17. Additional cuts would be difficult for UConn to manage.

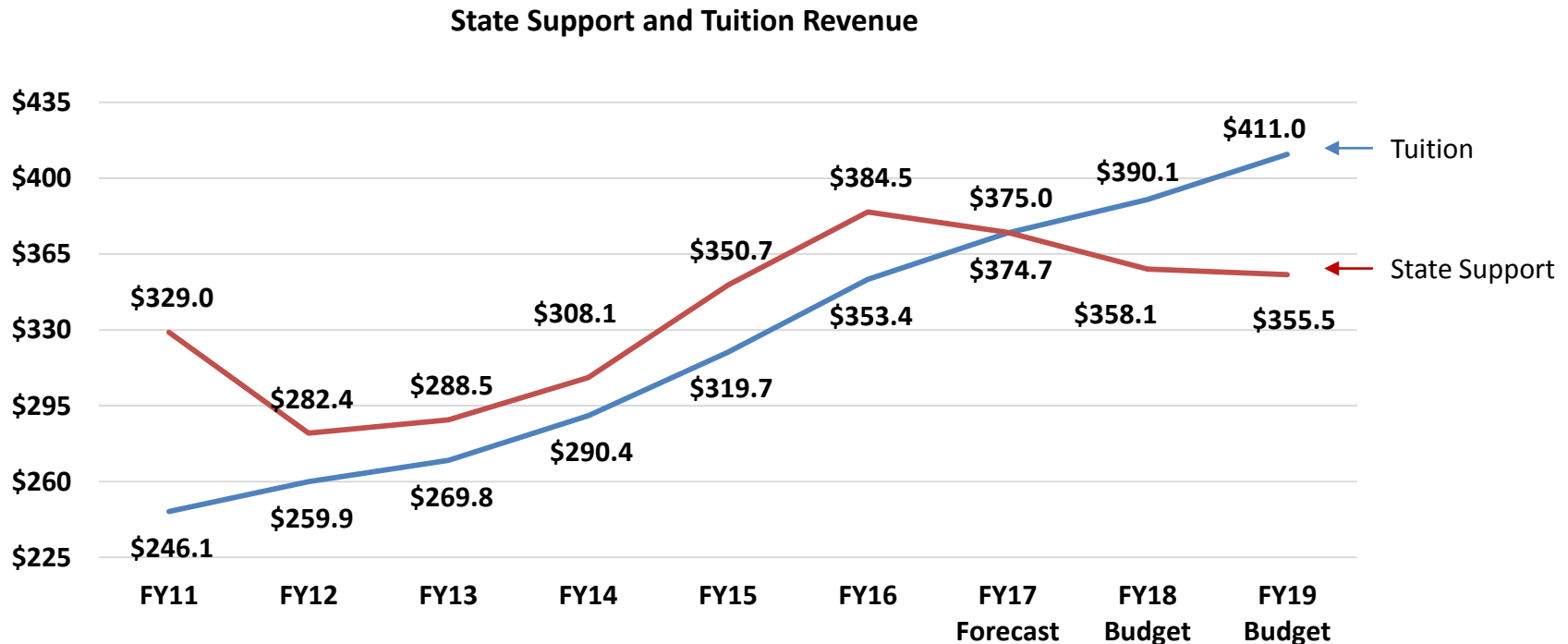


*Allotment includes fund sweep reductions

**Appropriation includes the Governor's proposed budget for FY18 & FY19

Tuition Revenue

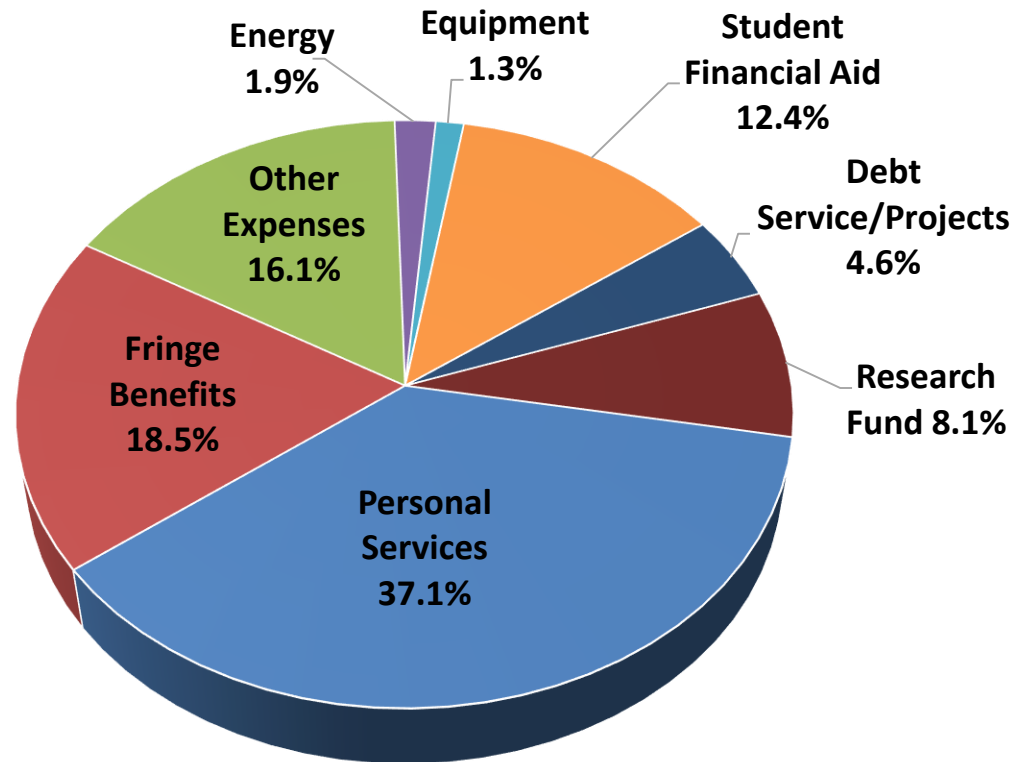
UConn has had enrollment growth and rate increases contributing to overall tuition revenue increases. FY18 is the second year in a four year tuition plan.



FY18 Expense by Category

Salary and Fringe Benefits are the largest expense for the University at 55.6% of the total, with Other Expenses accounting for 16.1% and Financial Aid at 12.4%.

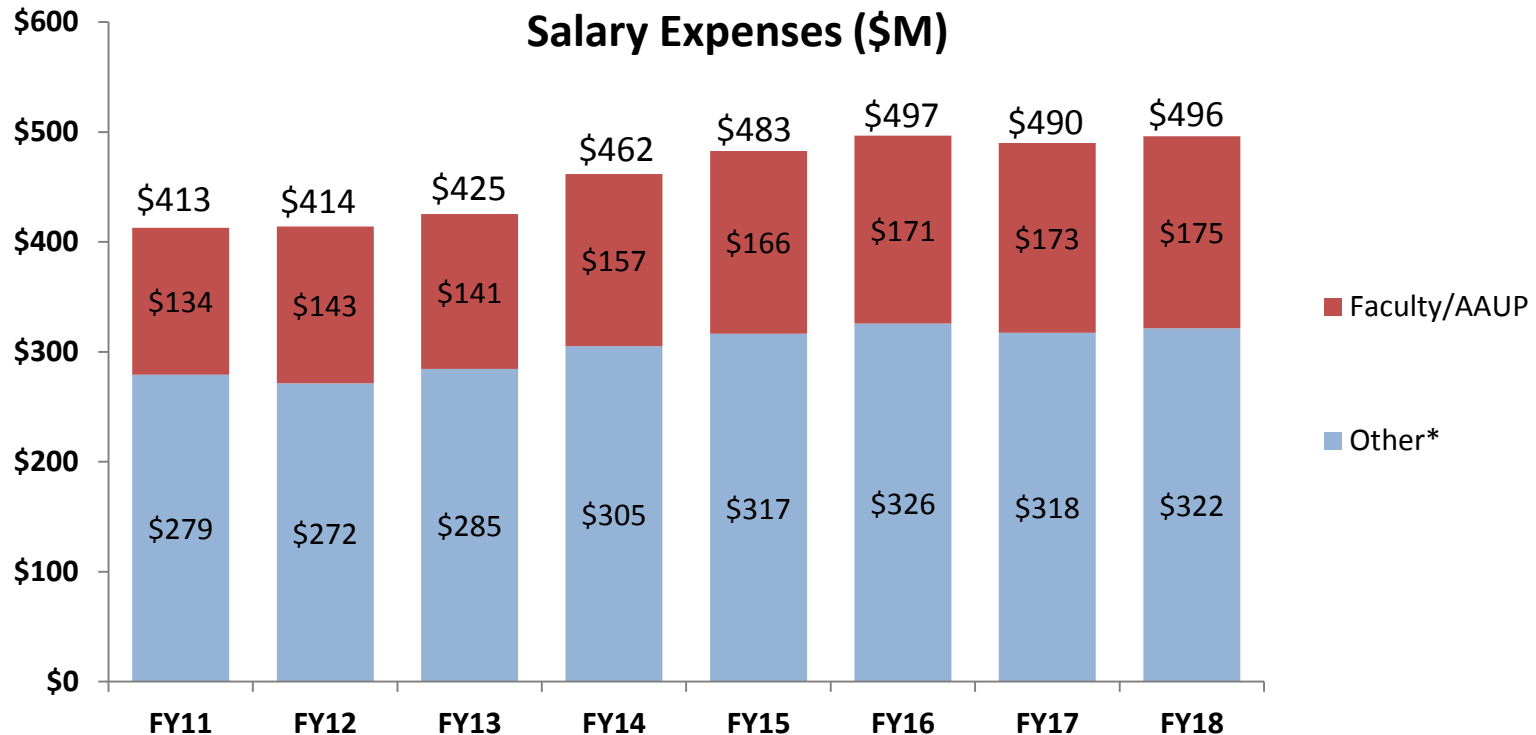
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Note: Use of decimals may result in rounding differences.

Rising Costs - Salary Expenses

Between FY11 and FY18, mandated salary increases, as a result of union agreements, cost UConn about \$68M or 82% of the total salary expense growth.



*Other: this category includes classified, non-faculty professional (UCPEA), management, confidential, graduate assistant, student, & special payroll

- The growth in FY18 is due to graduate assistant contractual increases (\$1M), additional police (\$1.4M) and faculty and other academic hiring (\$3.7M). Under the tentative SEBAC agreement, FY18 includes no faculty/staff salary increases.

Rising Costs – Fringe Benefits

Fringe Benefits are the fastest growing piece of the expenditure budget with rates increasing by 17.7% for professional staff since FY13.

Fringe rates continue to rise, largely due to the unfunded pension liability.

- The Office of the State Comptroller develops the main rate components. UConn has no control over rates, but must cover the costs.
- The SEBAC agreement should help to address high rates and could potentially decrease the fringe rates.

University Fringe Rate Category	FY13	FY14	FY15	FY16	FY17	FY18	FY13–18 Change
Faculty	36.7%	44.2%	44.2%	47.0%	50.6%	49.0%	12.3%
Professional	47.3%	53.6%	57.2%	59.5%	63.5%	65.0%	17.7%
Classified	79.6%	92.1%	92.1%	92.1%	94.5%	96.2%	16.6%

- The University classified fringe rate will be 96.2% of salary in FY18. This includes staff in the maintenance, clerical, and public safety bargaining units.
- The assumption in the FY18 budget is that overall fringe rate costs will remain flat while some of our individual University rates are going up or down as compared to FY17.

SWOT Analysis

Evaluating UConn's Strengths, Weaknesses, Opportunities and Threats

STRENGTHS (+)	WEAKNESSES (-)
<ul style="list-style-type: none">1) Tuition – UConn's current tuition is affordable and competitive with peers.2) Students – UConn's students are academically strong, and contribute to the CT economy (70% stay in CT after graduation).3) Hiring – UConn is prudent and careful in hiring decisions, with strict review for any new position.4) UConn is a pillar to the State economy and is recognized for academic excellence.	<ul style="list-style-type: none">1) Diversity of Revenues – UConn is heavily reliant on State Appropriations and Tuition.2) Fringe Benefits – UConn rates are high and are dictated by the State Comptroller.3) UConn has significant deferred maintenance and infrastructure needs that far exceed resources.4) UConn has limited ability to enact wide-scale wage/personnel changes.
OPPORTUNITIES (+)	THREATS (-)
<ul style="list-style-type: none">1) Philanthropy – Focusing on scholarship funds can keep more high achieving students from CT at UConn.2) Research Revenues – New research grants can fund invention & innovation and extend our contribution to knowledge across many fields.3) Outsourcing – Opportunities for outsourcing large operational areas may help negate high cost of operations, in part due to high fringe benefit rates.4) SEBAC – Potential reductions in fringe rates.	<ul style="list-style-type: none">1) State Budget – Continued pressure on the State's economy has led to cuts to UConn's operating and capital budgets.2) Bond Rating – The State's bond rating has been downgraded, putting UConn's bond rating at risk and potentially increasing the cost of borrowing.3) State Population Decline – As the State's high school population declines, UConn may be challenged to maintain enrollment, particularly at regional campuses.

Impact of Cuts to UConn

- UConn has carefully and effectively managed itself to balance the budget and maintain academic quality in the face of major reductions in State support and rising costs.
- However, UConn's goals are shifting from expanding academic and research strength, student success and contributing to the State's economy to simply attempting to maintain our current position.
- Forecasted reductions to the appropriation will lead UConn to decline academically, student success will suffer, we will not be able to contribute fully to the State's economy, and the State's investments in UConn will be diminished. This will cause UConn to plummet in the *U.S. News and World Report* rankings.

FY18 DRAFT CAPITAL BUDGET

Agenda

1. Status of Major Capital Projects
2. Critical Projects to be Deferred
3. Other Capital Projects
4. Capital Program Summary

Capital Budget Program

- FY18 is year 4 of the 10 year NextGenCT program and the core science buildings are scheduled for construction in FY18 and FY19.
- \$1.3B of bond funds have yet to be authorized for projects that are already under construction or are in planning/design.
- Funding for FY18 is still uncertain and funding deferrals will slow down the rapid progress underway. The FY18 amount has been reduced by \$29.6M, which delays projects to future years.

Major Capital Projects Nearing Completion

■ Projects to be completed by summer 2017:

- Hartford Campus - \$140M
- Engineering & Science Building - \$95M
- UCH Main Building Phase 2 - \$41M



Hartford Campus

■ Projects to be completed during FY18:

- Innovation Partnership Building (IPB) - \$162.3M
- UCH Academic Building Renovation - \$36.1M
- UCH EMR Implementation - \$98M
- ESCO Phase 1 - \$31.6M
- North Eagleville Road Infrastructure Phase 3 - \$49M



IPB

Major Capital Projects in Construction

- Student Recreation Center & Infrastructure - \$125M
estimated completion - July 2019
- Gant Building Renovations - \$180M
estimated completion - December 2022
- UCH Clinic (C) Building Renovations - \$91M
estimated completion - August 2018
- NW Science Quad Infrastructure Phase 1 - \$20M
(to support STEM Research Science 1)
estimated completion - August 2018

Capital Program State Funding Deferral

The current bond bill proposal will negatively impact the capital program by deferring significant funding to future years.

Fiscal Year	Bond Amount (Statute)	sSB 788 (FRB)	Change from Statute
2018	\$295.5	\$265.9	(\$29.6)
2019	251.0	225.9	(25.1)
2020	269.0	225.7	(43.3)
2021	191.5	160.3	(31.2)
2022	144.0	101.4	(42.6)
2023	112.0	98.0	(14.0)
2024	73.5	85.0	11.5
Subtotal	\$1,336.5	\$1,162.2	(\$174.3)
2025		70.1	70.1
2026		63.6	63.6
2027		40.6	40.6
Total (\$M)	\$1,336.5	\$1,336.5	\$0.0

FY18 bond funding amount is still unknown. A deferral of (\$29.6M) impacts our capital program, and additional cuts would have a significant impact on the core science buildings.

Impact of Capital Program Funding Deferrals

Based upon the current bond bill deferral proposal, UConn has already delayed the following critical projects to future years:

STEM Research Center 2	\$62.6
Housing & Parking	83.5
Research Equipment	21.1
Infrastructure & Deferred Maintenance	132.0
Facility Code Repairs	7.5
Fats, Oil & Grease Compliance	4.4
Heating Plant-Boiler Replacements	15.3
Historic Exterior Repairs	6.7
Public Art	1.0
Total (\$M)	\$334.1

Funding Deferral Assumptions

In developing the list of projects to be delayed, UConn:

- Protected the core priorities of the NextGenCT program;
- Preserved projects currently in construction or scheduled to break ground this summer, including the Hartford Campus construction, Engineering Building and the Gant Science and Technology Building; and
- Protected funding for critical deferred maintenance and infrastructure projects necessary to ensure continued operation and public safety at our campuses.

FY18 Capital Budget

The State has deferred \$29.6M of bond funding to future years, reducing the FY18 amount from \$295.5M to \$265.9M.

UConn - NextGenCT	\$256,485,850	DM & Infrastructure, Equipment, Hartford Campus, Academic & Research Facilities-Gant, Engineering, Fine Arts, STEM 1, Babbidge
UCH - Bioscience CT	9,414,150	DM, Equipment, Medical School Academic Building, Hospital (Clinic Building)
Total State Bond Funds	\$265,900,000	
UConn Funds	57,613,250	Student Recreation Center & Infrastructure, ESCO, Facilities Repairs, Etc.
Total Capital Budget	\$323,513,250	All capital projects costing \$500K or more are submitted for Board action on a project by project basis

Other Capital Projects

- Not all capital projects are funded with State bonds. University funds are utilized for capital & maintenance initiatives that are not part of the bond plan or to bridge cash flow for bond funded projects (i.e. ESCO/energy efficiency project, housing improvements, facilities deferred maintenance).
- UConn is currently utilizing cash balances to temporarily fund high priority projects which will be supported through the issuance of new revenue bonds during FY18:
 - Recreation Center & Infrastructure are under construction: \$125M
 - Athletics District Development (new stadia) is in design: \$46M
- In addition to the critical utility work that is unfunded, funding has not been identified for other capital needs which include housing, athletics and parking improvements.

Next Steps

- This FY18 budget contains our best estimate of anticipated revenue and expenditure activity at this point. There are both areas of risk and potential gains that may impact the overall budget.
- There are still unknowns and uncertainty around both the State Appropriation, tentative SEBAC agreement and fringe rate impact.
- We plan to present the FY18 Operating and Capital budget resolutions to the BOT on June 28, 2017. However we may not have a finalized appropriation at that point and would need to come back at a later point for approval when numbers are final.

APPENDIX

Operating Budget Risks

✓ State Support

- The State can cut or sweep funds mid-year, which makes planning difficult.
- The overall financial outlook for the State of Connecticut is very concerning.

✓ Fringe Benefits

- Fringe benefit rates continue to rise, largely due to the unfunded pension liability. UConn has no control over rates, but must cover the costs.
- UConn has high fringe rates, making us less competitive for research grants. Fringe rates for employees on the State retirement plan are projected to be 96.2% for FY18.
- The Republican budget proposal includes a direct appropriated amount for fringe. This puts all the risk on UConn.

✓ Collective Bargaining Increases

- Under the tentative SEBAC agreement, FY19 includes a one-time salary increase as well as increases up to 3.5% in FY20 and FY21 for some classified bargaining units. Until that contract is ratified, uncertainty exists in the out years.

✓ Lack of Revenue Diversification

- State support, tuition and fees account for two-thirds of UConn's budget. Other fund sources are not growing to help offset the decrease in State support.

FY17 vs FY18 Budget

As compared to FY17, the FY18 budget includes decreases in State Appropriation, increases in tuition/fees and increases in salary and fringe rate expenditures.

	FY17 Forecast (\$M)	FY18 Budget (\$M)	Favorable / (Unfavorable) (\$M)	Notes
Appropriation	220.8	211.2	(9.5)	Governor's revised budget
Fringe Benefits Reimbursements	154.3	146.9	(7.4)	Fringe on Governor's budget at 69% FB rate in FY18
Total State Support	\$ 375.0	\$ 358.1	\$ (16.9)	
Tuition	374.7	390.1	15.4	Approved tuition plan; \$775 IS; \$1,050 OS
Fees	132.3	134.8	2.5	Business growth; Visa, late fee increase
Grants & Contracts	78.3	77.5	(0.8)	Reduction of Willis scholarship and other state financial aid
Foundation/Endowment	20.2	19.5	(0.7)	Decrease in Foundation funds
Sales & Services	18.1	18.3	0.2	No significant change
Auxiliary Enterprise Revenue	213.7	220.1	6.4	Room & Board increase; Barnes & Noble
Other Revenue	15.4	15.9	0.5	Includes energy credits, conference revenue, etc.
Total Operating Fund	\$ 1,227.8	\$ 1,234.3	\$ 6.6	
Research Fund	104.6	106.6	2.0	2% increase
Total Current Funds Revenues	\$ 1,332.4	\$ 1,341.0	\$ 8.6	
Personal Services	490.1	496.2	(6.1)	\$1M GA CBI;\$1.4M police; \$3.7M faculty & other academics
Fringe Benefits	245.6	248.3	(2.7)	No rate increase
Other Expenses/Equipment	228.4	233.8	(5.4)	New buildings & other infrastructure; food cost increase
Energy	22.1	24.9	(2.9)	Unhedged gas and additional usage with new buildings
Student Financial Aid	159.1	165.9	(6.8)	Financial aid increase associated with tuition increase
Debt Service/Projects	78.3	62.1	16.2	Capital projects funded in FY17
Total Operating Fund	\$ 1,223.6	\$ 1,231.2	\$ (7.6)	
Research Fund	106.3	108.0	(1.8)	1.5% increase in salary, fringe and other expenses
Total Current Funds Expenditures	\$ 1,329.8	\$ 1,339.2	\$ (9.4)	
Net Gain/(Loss) Loss	\$ 2.5	\$ 1.8	\$ (0.8)	

Note: Use of decimals may result in rounding differences.

SEBAC Framework Impact

The tentative SEBAC framework includes healthcare and pension changes that are likely to have an impact on fringe costs, but further analysis is needed at the State level to determine the full magnitude for UConn.

	Proposal	FY18 Cost (\$M)	FY19 Cost (\$M)	FY20 Cost (\$M)	FY21 Cost (\$M)	Total Cost (\$M)
Wage Increase	0% hard freeze FY17,FY18,FY19 \$2,000 one time stipend in FY19 3.5% + [step Increase] in FY20, FY21;	\$ -	\$ 11.9	\$ 16.6	\$ 18.7	\$ 47.2
Furlough Days	3 Furlough Days in FY18	(5.4)	-	-	-	(5.4)
Delay Longevity Payment	Delay longevity payment in FY18	(1.3)	1.3	-	-	-
Subtotal Wage Impact (including associated fringe benefits)		\$ (6.7)	\$ 13.2	\$ 16.6	\$ 18.7	\$ 41.8
Health Insurance - Increase in employee share of premium	- Increase 1% each year in FY20,FY21,FY22 for existing employees - New employees at 15% - Mgmt already at 23%	(0.04)	(0.04)	(0.5)	(0.5)	(1.0)
Fringe Rate Impact	All other Pension and Healthcare changes; IMPACT UNKNOWN					
TOTAL COST/(SAVINGS) - UNION EMPLOYEES		\$ (6.8)	\$ 13.2	\$ 16.2	\$ 18.2	\$ 40.8

- FY17 is the first year of the framework agreement but realizes no cost or savings

State Appropriation Proposals

The Governor's proposed budget provides UConn with the best opportunity to balance the budget. The Republican budget proposes the largest cuts to UConn at (\$51.8M) in FY18 and (\$80.2M) in FY19, mainly due to the proposed fringe reductions.

	FY2018				FY2019		
	Appropriation	Governor Proposal	Democrat Proposal	House/Senate Republican Proposal	Governor Proposal	Democrat Proposal	House/Senate Republican Proposal
Appropriation	229,917,913	211,242,025	202,875,781	201,972,581	209,108,269	187,875,781	201,819,381
Fringe Reimbursement	158,643,360	145,756,997	139,984,289	134,800,933	144,284,706	129,634,289	106,567,562
TOTAL STATE SUPPORT	388,561,273	356,999,022	342,860,070	336,773,514	353,392,975	317,510,070	308,386,943
CUT - COMPARED TO APPROPRIATION		(18,675,888)	(27,042,132)	(27,945,332)	(20,809,644)	(42,042,132)	(28,098,532)
Associated fringe cut		(12,886,363)	(18,659,071)	(23,842,427)	(14,358,654)	(29,009,071)	(52,075,798)
TOTAL STATE SUPPORT CUT		(31,562,251)	(45,701,203)	(51,787,759)	(35,168,298)	(71,051,203)	(80,174,330)
% Cut		-8.1%	-11.8%	-13.3%	-9.1%	-18.3%	-20.6%

State Support

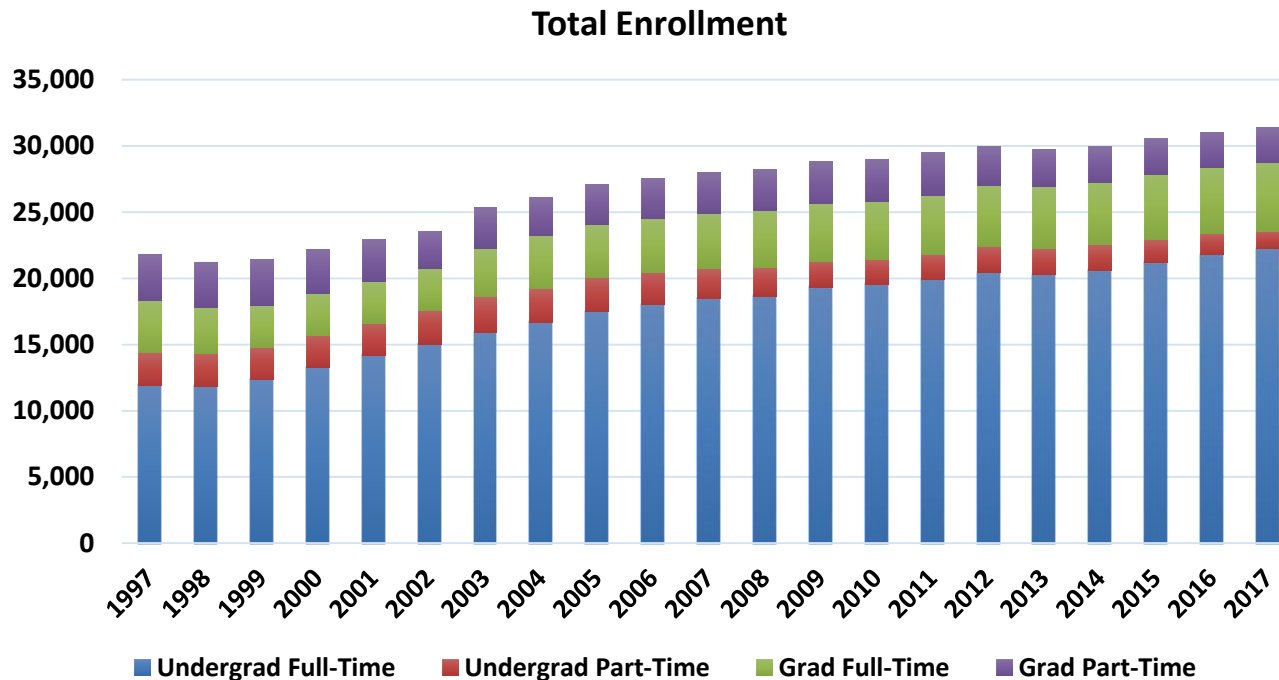
UConn has sustained \$79.5M in State reductions*, lost fringe and fund sweeps since 2011.

State Appropriation - Reductions, Fringe (Lost) and Fund Sweeps (\$M)						
	Appropriation	Reduction	Actual Allotment	Lost Fringe due to Reduction	Fund Sweeps	Total Cut
FY11	233.0	(0.4)	232.6	(0.2)	(15.0)	(15.6)
FY12	207.7	(2.1)	205.6	(1.1)	-	(3.2)
FY13	206.1	(10.3)	195.8	(5.2)	-	(15.5)
FY14	203.4	(0.8)	202.6	(0.4)	-	(1.2)
FY15	229.6	(7.4)	222.2	(3.7)	-	(11.1)
FY16	243.2	(2.6)	240.6	(1.6)	(13.2)	(17.4)
FY17	229.9	(9.2)	220.7	(6.3)	-	(15.5)
TOTAL		\$ (32.8)		\$ (18.5)	\$ (28.2)	\$ (79.5)

*Reductions = lapses, rescissions and deficit mitigation

Enrollment

Over the last 20 years growth in enrollment has been a significant factor in increased tuition revenue.



- UConn has benefited from solid growth in undergraduate enrollment, reflecting both its value and academic excellence.
- Overall, enrollment across all campuses is expected to remain flat in FY18 and FY19.

Fee Revenue

Growth in Self-Supporting fee based programs is expected to drive a \$3.6M increase in fee revenue, as other fee revenues remain relatively flat.

Course Fees \$43.3M

School of Business has seen tremendous growth in the past several years, including popular masters programs in Financial Risk Management, Business Analytics and Accounting.

Other programs including those in Education, Nursing, Law and Engineering

Infrastructure Maintenance Fee (IMF) \$11.4M

The IMF rate has not increased since the 2014-15 academic year.

IMF supports debt service associated with South Campus, as well as campus-wide preventative and deferred maintenance.

Course Fees
33%

General University Fee
30%

IMF
9%

Inter Sessions
19%

Other
10%

General University Fee (GUF) \$39.2M

The GUF rate has not increased since the 2014-15 academic year.

GUF funds activities in Student Health Services, Athletics & Recreational Services, One Card Office, the Jorgensen Center for the Performing Arts, Student Activities, payments to Student Union, and the Off Campus Student Services Office.

Summer/Winter Sessions \$25.3M

Overall Summer/Winter Sessions revenues are steady. UConn continues to explore expanding this as a potential increased revenue source.

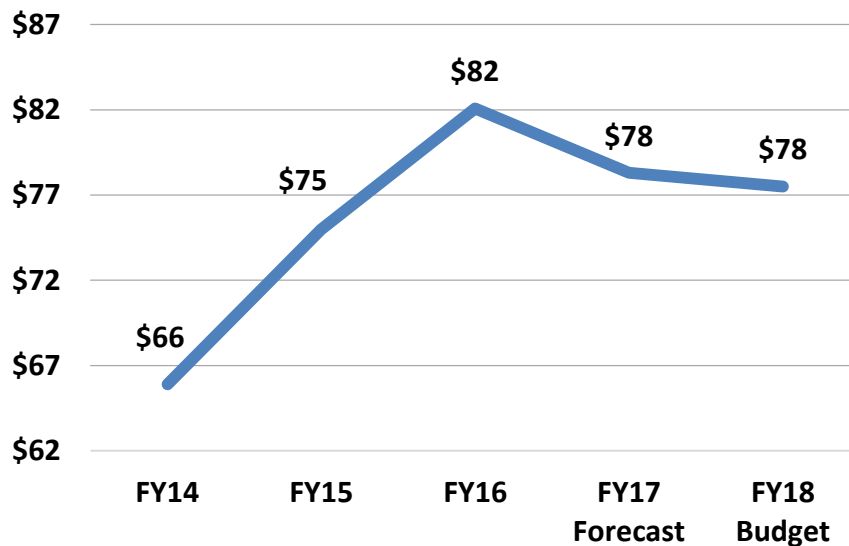
Other \$13.0M

This includes fees such as Application, Technology, Academic Materials and Major Fees.

Grants and Contracts Revenue

After several years of steady increases, Grants and Contracts revenues are expected to decline in both FY17 and FY18.

Grants and Contracts Revenues (\$M)



Key drivers impacting the decline:

- Reduction in the Roberta Willis Scholarship Fund and other State financial aid.
- Flat growth assumptions in other grants and contracts, both public (federal/Pell) and private partnerships.
- Other federal grants are assumed steady due to federal budget pressures.

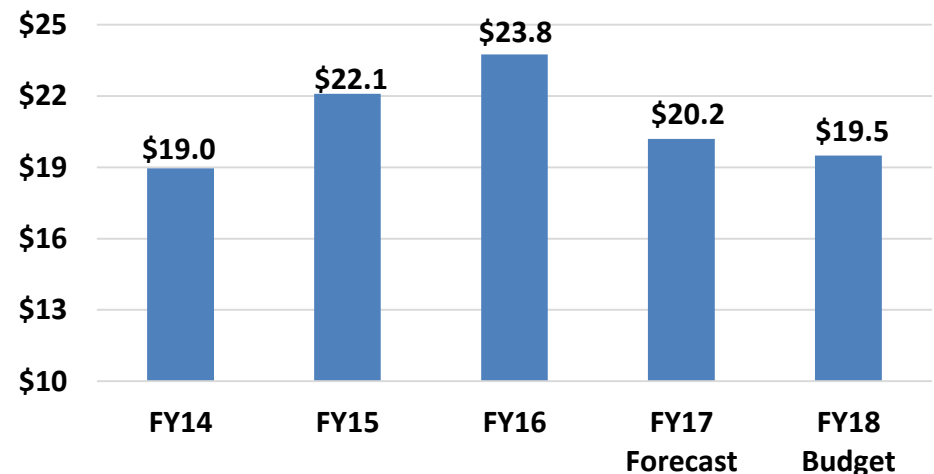
Foundation/Endowment Revenue

Although fundraising has reached record levels in each of the last three years, Foundation and Endowment Revenues are expected to hold steady in FY18 reflecting the timing of commitments versus realized revenues.

Foundation and Endowment \$20M

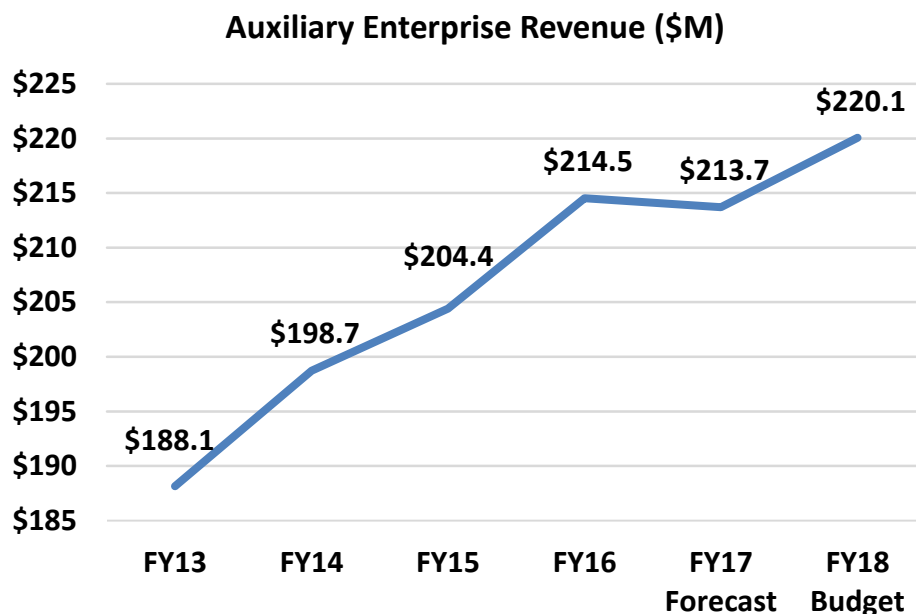
- As the endowment grows, it will play a larger part in the operating budget.
- Fundraising results are often not seen immediately but offer a long term payoff.
- To generate \$1.0M of endowment income to the University, the Foundation would need to generate \$20M in endowed principal.

Foundation/Endowment Revenue (\$M)



Auxiliary Enterprise Revenue

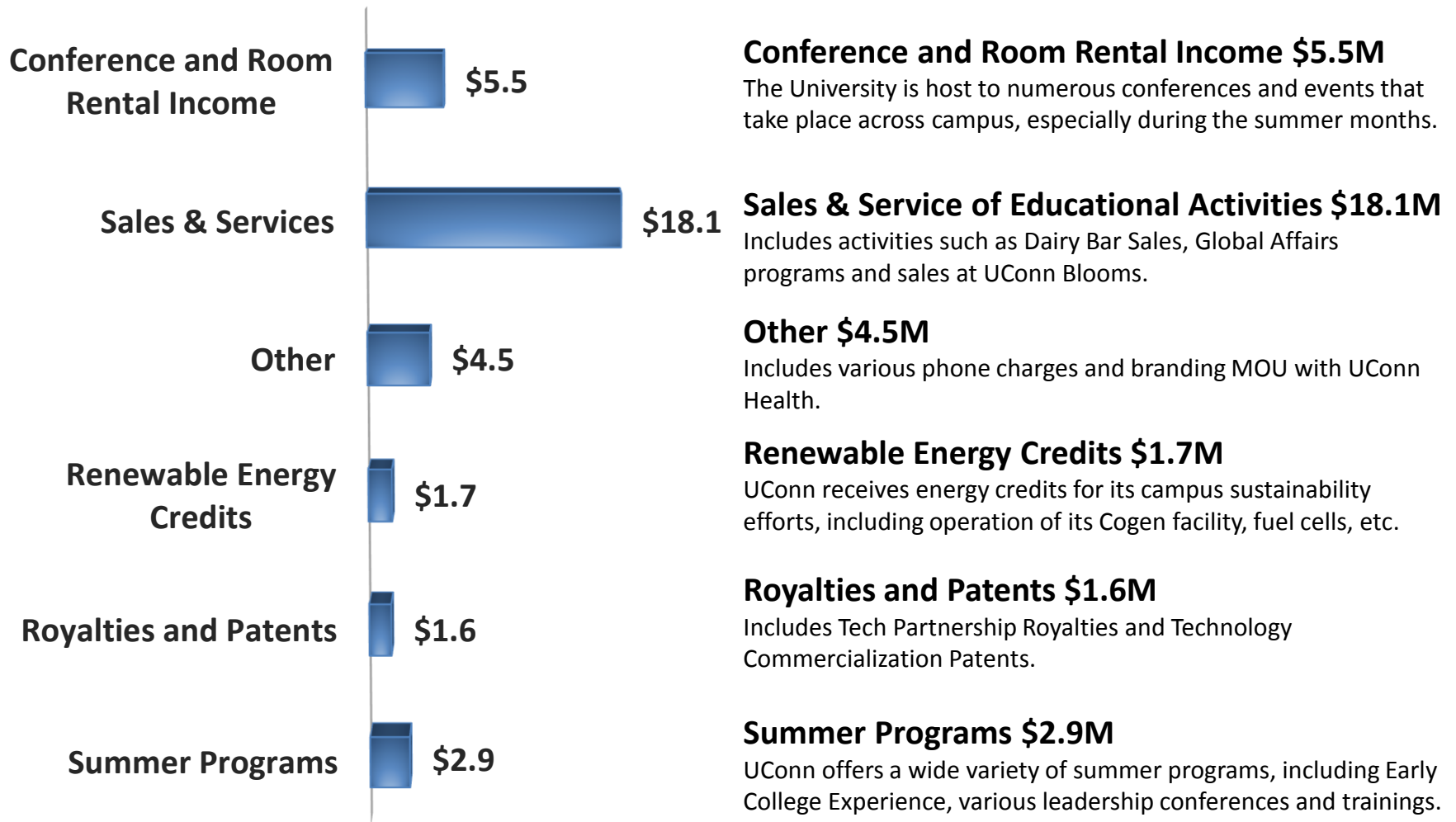
Auxiliary Enterprise Revenues, which include items such as housing, dining, parking and athletics, are holding relatively flat in FY17 with modest growth in FY18.



- Barnes and Noble will generate \$9M in revenue to the University in FY17 and FY18, including signing bonus plus annual commission guarantees.
- Housing and Dining rates represent the first year of the three year rate plan.
- Athletics continues to face revenue challenges, stemming from both attendance and conference revenues.

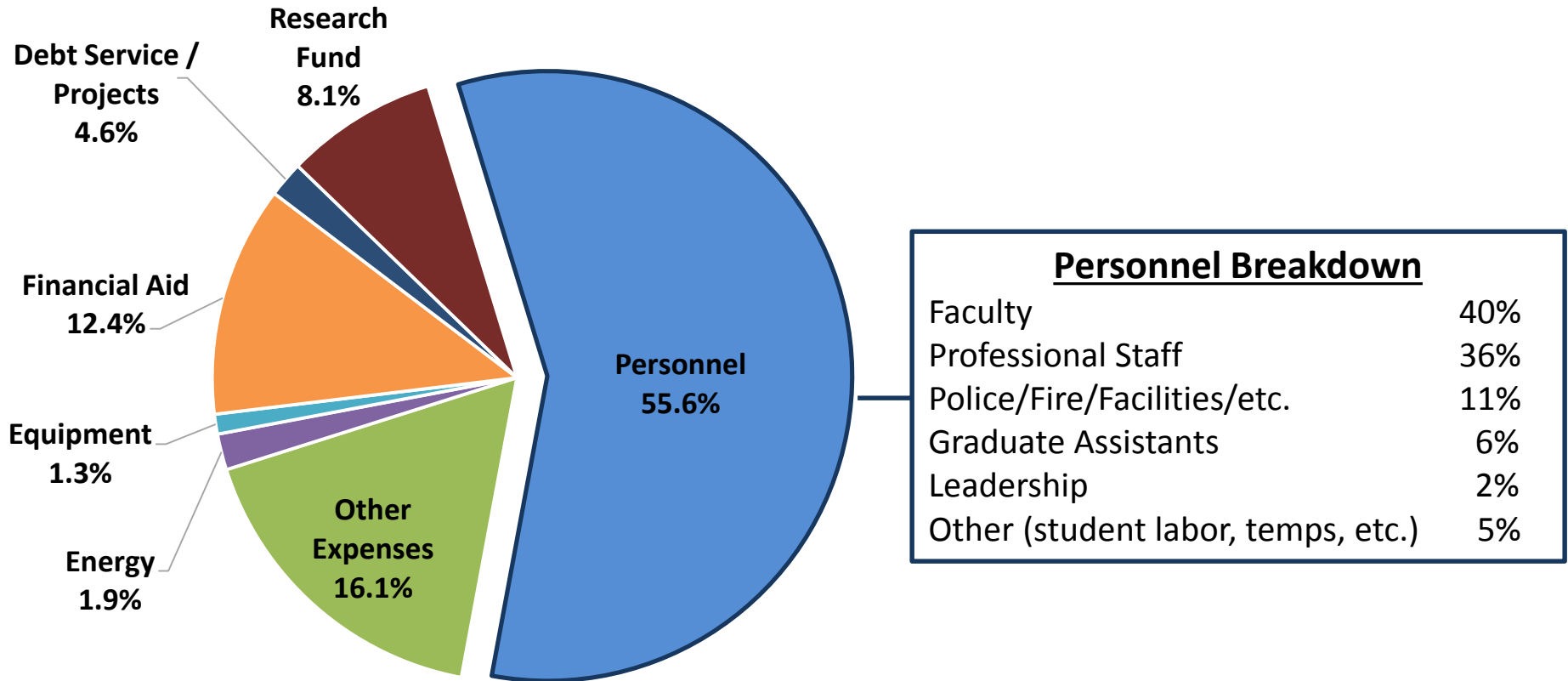
Sales/Services and Other Revenues

These revenues consist of a wide variety of sources and are budgeted at \$34.3M.



Personal Services & Fringe Benefits

Personnel costs, including salaries and fringe benefits, account for 55.6% of UConn's total operating budget.

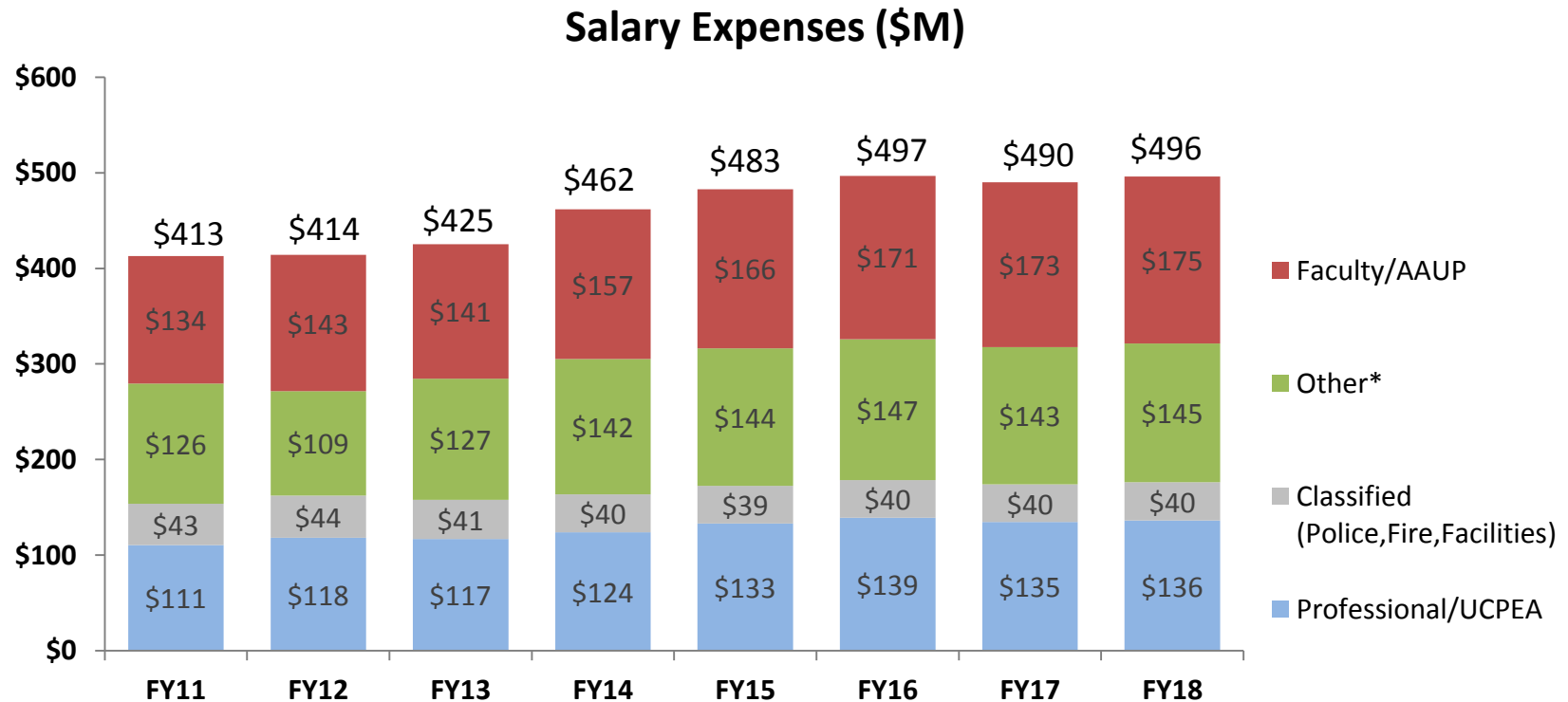


The State Appropriation covers about 52% of permanent employees

Note: Use of decimals may result in rounding differences.

Salary Expenses

Between FY11 and FY18, salary increases as a result of collective bargaining agreements cost UConn about \$68M or 82% of the total salary expense growth.

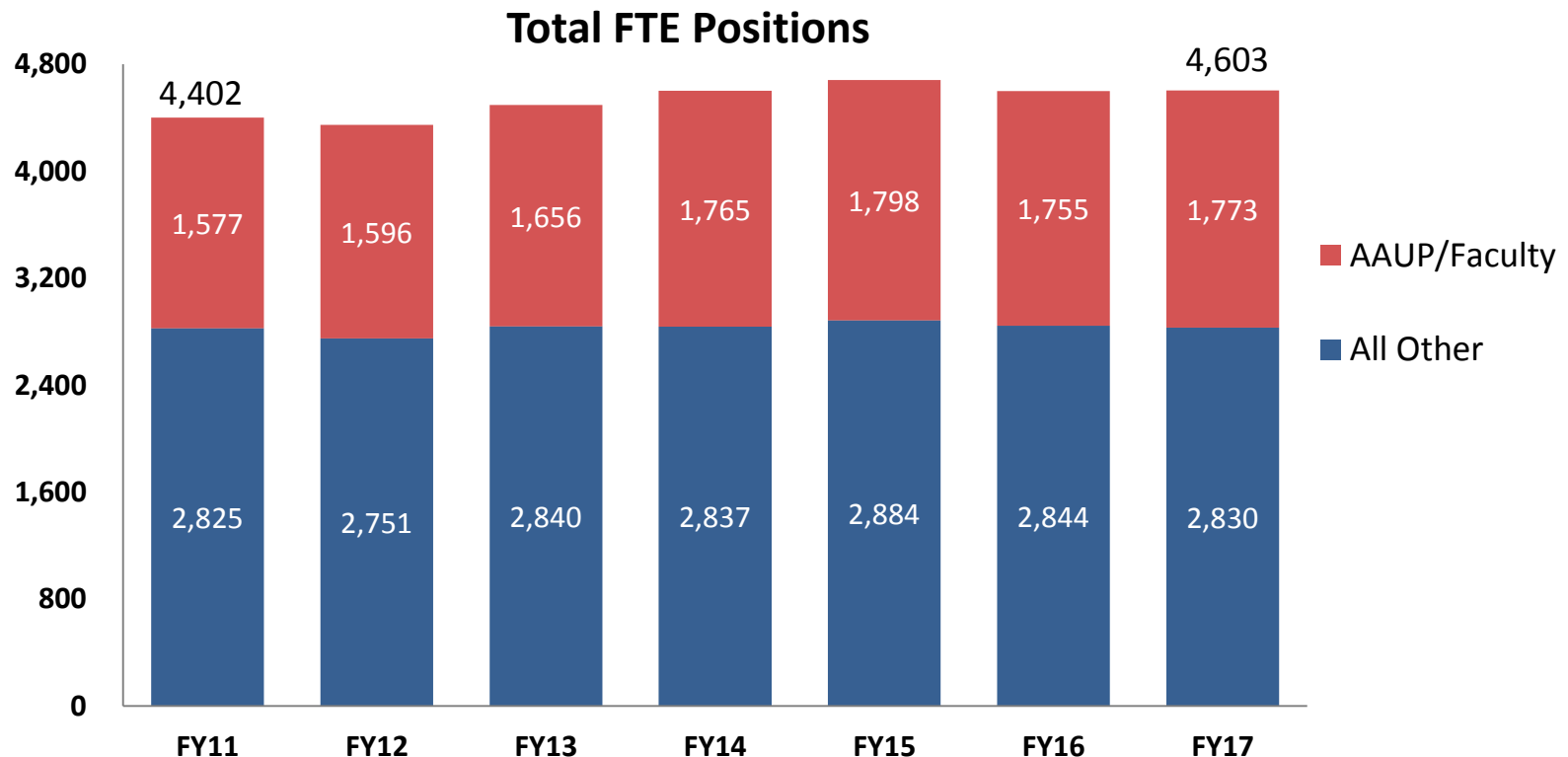


*Other: this category includes non-union and temporary payrolls such as Management, Confidential, Graduate Assistants, Students, & Special Payroll

- For FY18, a 1% salary/fringe increase equates to ~\$6.1 million

UConn Position Count

Since FY11, total enrollment has increased by 1,936 while total employees have only increased by 201, of which 196 were faculty positions.



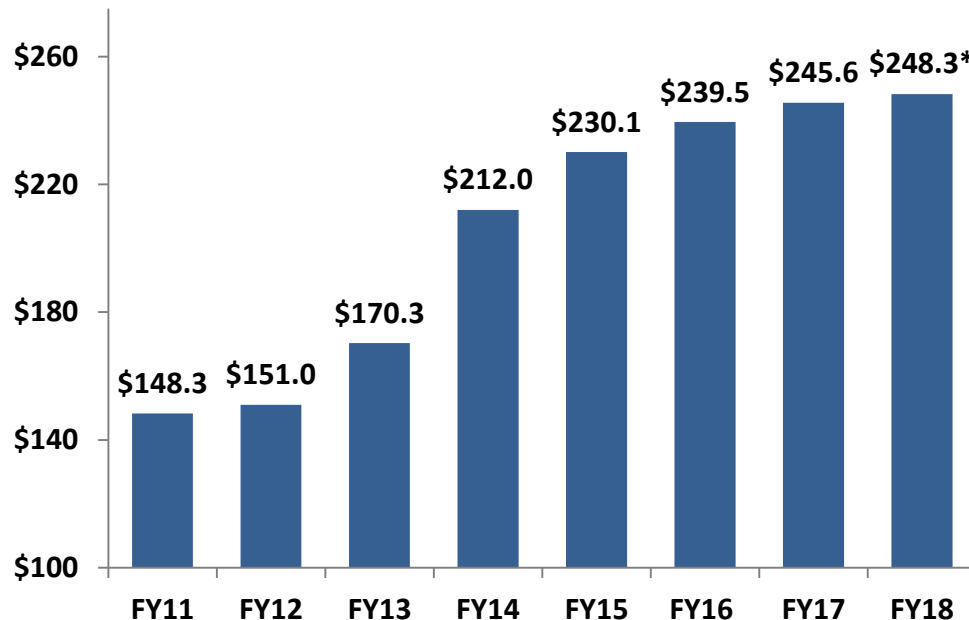
All Other includes Classified, UCPEA, Management, Confidential and Post Doc employees.

- The number of faculty has increased by 196 which is 98% of the total growth.

Fringe Benefit Expenses

Fringe benefit costs have increased by \$100M since FY11. The FY18 fringe benefit budget could be significantly impacted by the SEBAC framework pension and healthcare changes. We are awaiting further analysis from the State on the impact to UConn.

Total Operating Fringe Benefit Expenses (\$M)

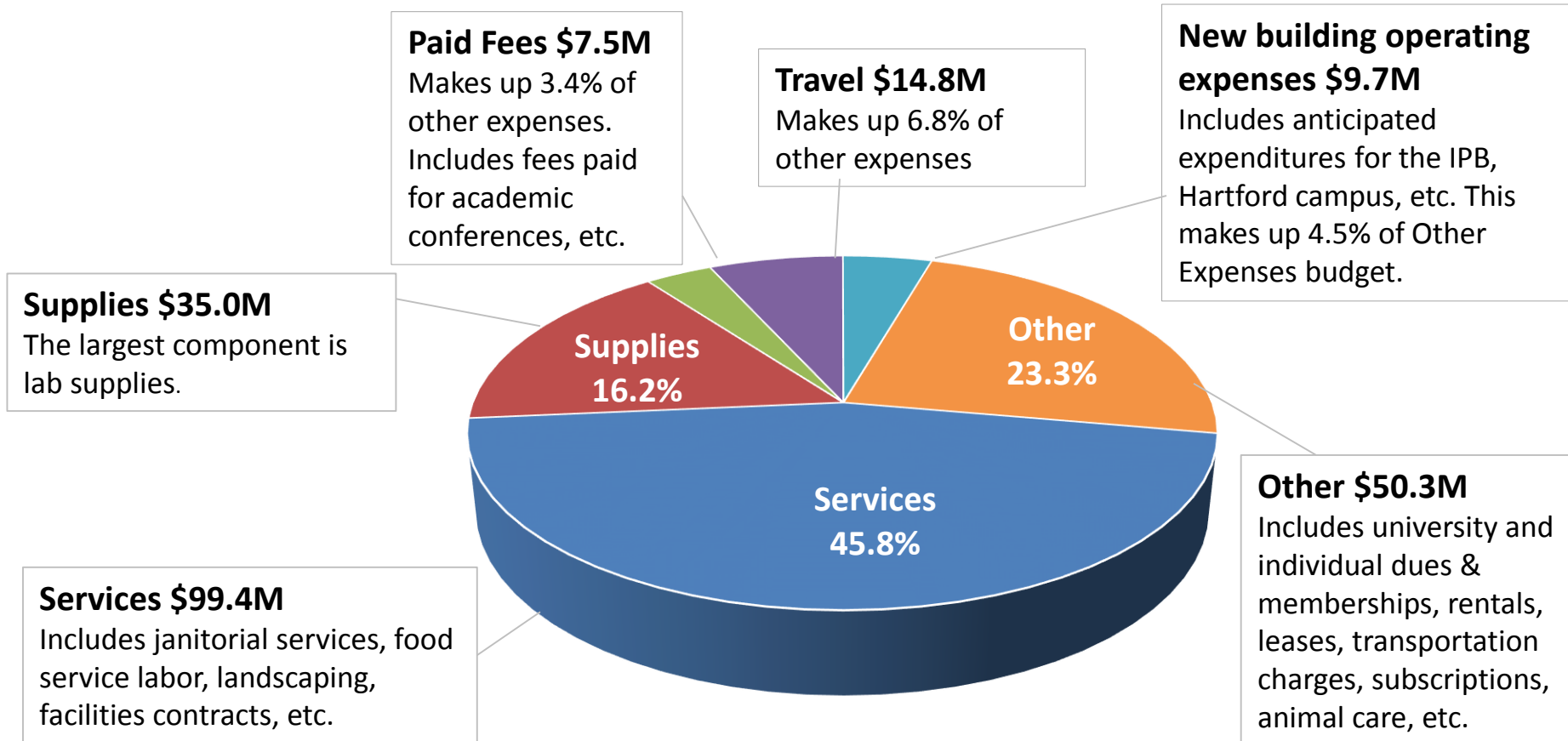


The unfunded pension liability is a significant cost of the retirement rate. In FY16, it accounted for \$56M or 23% of the \$239.5M total fringe cost

*Estimated amount prior to potential impact of SEBAC

Other Expenses

Includes all lab supplies, cost of food for dining services, parts for maintenance, office supplies, etc. In FY18, the total spend is expected to be \$216.7M.



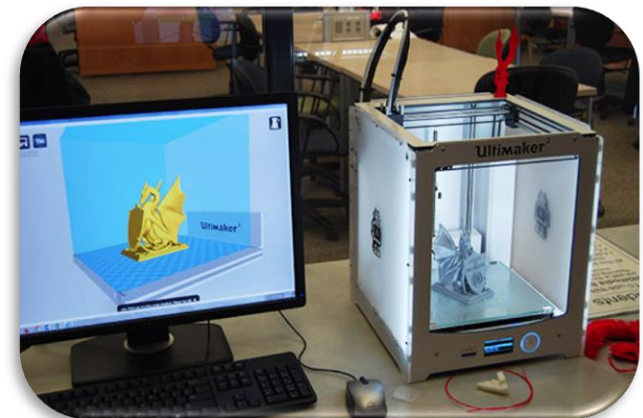
Equipment Expenses

Equipment is defined as tangible, non-expendable, personal property having an anticipated life of one year or more.

Total Equipment Budget = \$17.1M

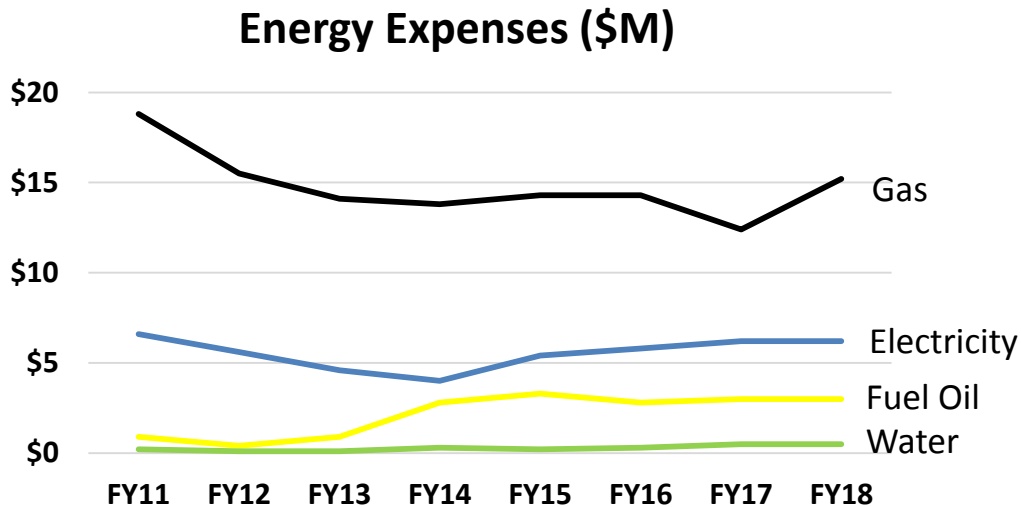
Includes:

- IT Hardware
- Lab Equipment
- Athletic Equipment
- Motor Vehicles
- Office Equipment (printers, computers)



Energy Expenses

Since 2011, overall energy expenses have decreased due to careful management of campus use, retro-commissioning of buildings, and engaging in Energy Savings Performance Contracts (ESCO).



Financial Aid Expense

UConn remains committed to supporting students and is providing an additional \$10.7M in financial aid for FY18.

- The percentage of need-based financial aid to tuition is growing to 18.5% which is greater than last year and over the State's requirement of 15%.
- Need-based financial aid is \$69.3M out of the \$122.4M University supported total.

Financial Aid (\$M)	FY15	FY16	FY17 Forecast	FY18 Budget	FY17-FY18 Change
University Supported	\$93.9	\$97.7	\$111.7	\$122.4	\$10.7
State	11.2	14.0	9.0	7.1	(1.9)
Federal (Pell/SEOG)	25.6	26.0	27.0	27.1	0.1
Other *	11.9	13.3	11.4	9.3	(2.1)
Total Aid in Budget	\$142.6	\$151.0	\$159.1	\$165.9	\$6.8

*Other funding comes from private sources such as Foundation and Endowments.

Financial Aid Recipients

UConn provides financial aid to almost half (48%) of our overall undergrad student population.

Undergraduate Students	FY15	FY16	FY17
# of Recipients	10,391	11,174	11,321
Average Gift Aid	\$6,962	\$6,915	\$7,653
# Need-Based Recipients	8,681	9,237	9,193

Merit-only recipients have also increased due to the STEM initiative.



Solving for Additional Reductions

For perspective, solving for an additional \$20M reduction in State appropriations would be equivalent to:

- **Tuition Increases** - 15% increase, or an additional \$1,600 per in-state student.
- **Faculty and Staff Reductions** – 160 FTE, which would adversely affect students and faculty, and would be difficult within the current SEBAC framework.
- **Increased enrollment** - 1,600 students without increasing faculty or facility space, which would jeopardizing rankings and academic excellence.
- **Capital Program** – Reductions in capital expenditures including inability to complete the core of the NextGen science buildings including Gant and STEM 1. Further deferred maintenance and unmet infrastructure needs.
- **Financial Aid** - Reduce \$20.0M need-based financial aid, resulting in a tuition to aid ratio of 13.3%, down from the current 18.5%. This is equal to the full tuition of 1,667 in-state undergraduates.

CAPITAL PROGRAM DETAIL

UConn Capital Plan Status

- NextGenCT initiative included \$1.5 billion of additional bond funds over 10 years to modernize, rehabilitate and expand the physical plant of the University.
- Since FY15, \$705M of bond funds were received which funded projects such as the NextGen Residence Hall, Engineering & Science Building, the new Hartford campus, Monteith Renovation, and Putnam Renovation.
- The first 3 years of the initiative included planning & design for the Gant Science Building improvements and the new STEM Research 1 Building which begin construction in FY18.
- Completion of these science buildings over the next few pivotal years is critical for the success of the NextGenCT initiative.

Engineering and Science - Summer 2017

Engineering & Science Building: \$95M

115,000 square feet, 5 floors + penthouse



- New building will provide space for some of UConn's fastest growing research fields – systems genomics, biomedical sciences, robotics, cyber-physical systems & virtual reality technology.
- First structure on Storrs campus to utilize “open lab” concept for research which will make it easier for scientists from different disciplines to collaborate by sharing knowledge and equipment which will foster innovation.
- Facility will offer students pursuing advanced degrees, especially in Engineering where enrollment has doubled over the past decade, many opportunities to conduct research.

UConn Hartford Campus - Summer 2017

UConn Hartford Campus: \$140M

Hartford Times Building: 164,000 square feet, 5 floors

38 Prospect Street Building: 38,870 square feet, 4 floors + penthouse

Hartford Public Library: 12,000 square feet



- UConn is excited to move to its dynamic new campus where it will interweave top-tier academic programs with the vitality and unique educational & service opportunities offered by the city.
- The School of Social Work has already moved in to their new location at 38 Prospect Street.
- Construction on a new Barnes & Noble bookstore next to the Times Building is underway.
- This new neighborhood campus will be supporting over 1,250 undergraduate students this fall.

UCH Main Building Renovation - Summer 2017

UCH Main Building Renovation P2: \$41M

~100,000 square feet, Floors 4-7



- Renovations will create flexible research laboratory space in addition to replacing mechanical, electrical and plumbing infrastructure with new energy efficient systems.
- Laboratory improvements are expected to lead to an increase in research awards and the development of new innovations in technology transfer and commercialization.

Major Building Openings during FY18



Innovation Partnership Building: \$162.3M

- 114,000 square-feet
- Construction began in June 2015, with completion of tenant fit-out targeted for March 2018

UCH Academic Building Renovation: \$36.1M

- 17,600 square-feet addition & renovation
- Construction began in November 2014 and completion expected in September 2017



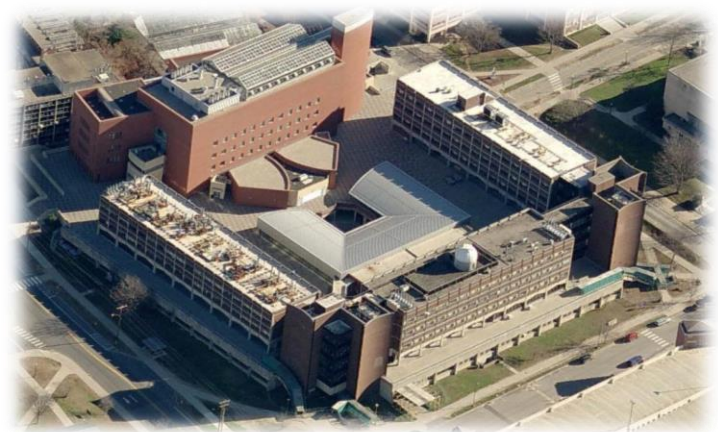
UConn Projects under Construction

Major Projects in Construction (\$M)	FY18 Funds	Total Budget	Estimated Completion
Engineering & Science Building	\$8.0	\$95.0	Aug 2017
Hartford Acquisition & Renovation	18.3	140.0	Aug 2017
ESCO – Steam Lines (UConn funds)	9.1	31.6	Dec 2017
North Eagleville Road Infrastructure Repair-PIII	23.0	49.0	Feb 2018
Northwest Science Quad Infrastructure-PI	14.0	20.0	March 2018
EMR System Implementation	35.0	98.0	April 2018
Recreation Center & Infrastructure (UConn funds)	34.0	125.0	July 2019
Fine Arts Renovations & Improvements	16.1	23.5	Aug 2019
Gant Building STEM Renovations	43.5	180.0	Dec 2022
Total: \$157.9M Bond Fund + \$43.1M UConn Funds = \$201M			

Fine Arts Addition



Gant Building Renovations



UConn Projects in Planning & Design

Major Projects in Planning/Design (\$M)	FY18 Funds	Notes
Infrastructure & DM (incl UConn Funds)	57.6	Multiple projects
Equipment	19.0	Scientific, Security, Metering, Space Mgmt Software
STEM Research Science 1	9.6	Estimated completion 2021
WPCF Processing Plant	9.5	Estimated completion 2019
Stamford Garage Demo & Replacement Lot	8.9	Estimated demo completion winter 2017
Programmatic & Renovations (incl UConn Funds)	8.5	Multiple projects
Total: \$98.5M Bond Funds + \$14.6M UConn Funds = \$113.1M		

- Planning & design is underway for multiple infrastructure repair and improvement projects which are required to support the needs of the current campus as well as the new buildings included in the capital plan.
- While funding for many infrastructure projects is included in the bond funded capital plan, there is approximately \$275 million of unfunded utility work that is critically needed.

UConn Health Major Projects

- Since 2005, UConn Health has planned, designed and constructed numerous projects with the \$768.5M of bond funds received to date.
- FY18 UCH bond authorization of \$9.4M will fully fund the last few Bioscience CT projects.

Major Projects (\$M)	FY18 Funds	Total Budget	Estimated Completion
Academic Building Addition & Renovation	0.8	36.8	Sept 2017
Clinic Building "C" Renovation	6.5	91.3	Sept 2018
DM/Equipment	2.1		Varies
Subtotal	\$9.4		
NextGenCT funding for EMR	35.0	98.0	April 2018
Total UCH Bond Funds	\$44.4		



Electronic Medical Record: Project Status

- With the evolution of healthcare reform, the movement to more fully integrated healthcare systems has become crucial.
- Implementation of an integrated Electronic Medical Record system (HealthONE) was approved by the Board of Trustees in December 2015.
- \$98M budget approved through collaboration between:
 - State of Connecticut \$41M (approved by Bond Commission); UConn \$48M (bond funds in FY18 & FY19); and UConn Health \$9M.
 - \$33.6M expended through May 2017.
- Timeline – currently the project is in the adoption and build phase; project is on-time and on-budget with completion expected in April 2018.



Other Capital Program Changes

Other statutory changes included in the bond bill, which will allow program management flexibility, include:

- Revision of current named line to Deferred Maintenance / Code Compliance / ADA Compliance / Infrastructure Improvements & Renovation Lump Sum and Utility, Administrative and Support Facilities.
- Added new definition:
 - "Utility, infrastructure, administrative and support facilities" includes any project as defined in subdivision (16) of this section for such facilities at Storrs or the regional campuses or at the health center including any building or structure essential, necessary or useful for such facilities and includes, without limitation, new construction, expansion, extension, addition, renovation, restoration, replacement, repair and deferred maintenance of such facilities, and all appurtenances and facilities either on, above or under the ground that are used or usable in connection with any of such facilities and all other aspects of a project related to or in support of such facilities.