

Budget FAQ
University Senate Budget Committee
September 25, 2023¹

This budget FAQ aims to inform members of the Senate and the university community about budget processes at the University of Connecticut. In addition, we hope this document serves as a valuable tool for better understanding funding sources, the status of budgetary items, and budget processes generally throughout the university. This FAQ is being provided by the university Senate Budget Committee in partnership with the Office of Budget, Planning and Institutional Research.

Executive Summary: The University's primary funding sources are state support and student tuition and fees. The largest expenditures for the university are salary and wages for employees and their associated fringe costs. Total State support has generally increased but decreased slightly as a percentage of the university's budget. While the university receives more state support on a percentage basis than most equivalent state schools, its endowment is smaller than most relevant peer institutions. Over the past ten years, costs related to athletics have declined slightly as a percentage of the total cost to the university. Research is a net cost to the university, driven by factors such as not being eligible for reimbursement and a cap on the F&A (Facilities and Administration) indirect rate. This is not unique to UConn. As required by the Board of Trustees, budgets are balanced year-to-year.

Selected terms are defined in a glossary at the end of this document.

What are the primary sources of funding for the University Budget?

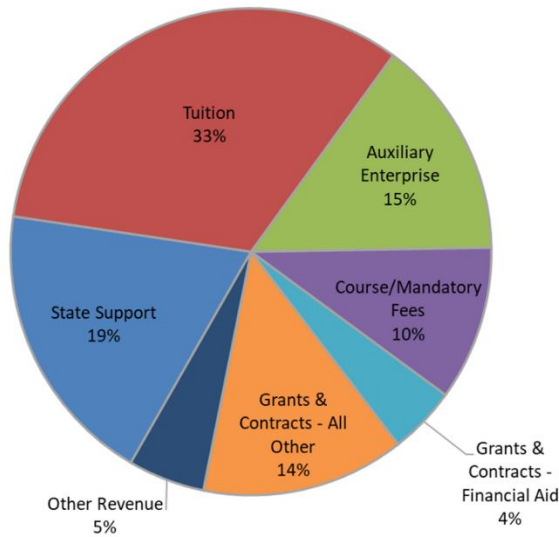
The primary funding sources for the university's budget are state support and student tuition and fees. The largest source of funding was historically state support. However, that changed in FY17 when the largest funding source for the university's budget became student tuition (currently at 33%). Students also support the university through mandatory and course fees (10%) and revenue from housing and dining services, a portion of the auxiliary revenue (15% of total revenues) shown below. In addition to housing and dining revenue, auxiliary revenue includes athletics, health services, and related university services.

State support that funds university salaries and fringe benefits comprises 19% of the total university budget. This includes state support of salaries and wages. This % has dropped from prior years as the State has implemented a new fringe benefit methodology in which the State pays for all retirement costs and those costs and equivalent state funding have been removed from the budget.

Revenue classified as 'other' (5%) encompasses sales and service revenue, study abroad, gifts and endowments, and related sources. A breakdown of the major sources of university funding for fiscal year (FY) 2023-24 is shown below:

¹ Please note that the following information is current as of this date and may be subject to change.

FY24 University Revenue Sources

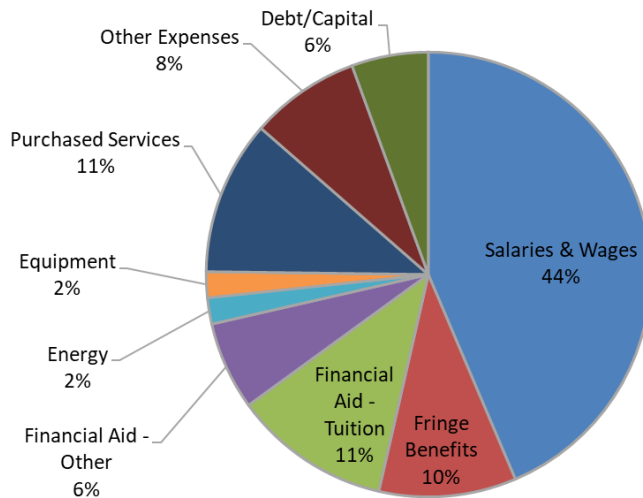


What are the primary expenditure categories for the University Budget?

The primary source of university expenditures is salaries, wages, and fringe benefits paid to university employees. Faculty, staff, administrators and other individuals working for the university comprise a majority (54%) of the total expenditures. The Purchased Services category, which makes up 11% of total spending, includes food service, cleaning contracts, IT services, other facilities operations, etc.

A breakdown of all the major sources of university expenditures for fiscal year (FY) 2023-24 is shown below:

FY24 University Expenditure Sources



How has state support for the University Budget changed over time?

State support for the university as a total amount has generally increased over time. It has increased from \$308.1 million in FY14 to \$473.8 million for FY23. Beginning in FY24, due to a change in how the State is funding fringe benefits, that fringe activity has been removed from the revenue support as well as on the expense side. The State will now pay for all retirement costs with the University funding all other fringe

benefits. Because of that fringe reduction, State support as a percentage of the university's total budget has declined in FY24, with the state supporting 27.6% of the total budget in FY14 and 19% of the total budget for FY24. Tuition and fees as a percentage of total budget revenue have increased from 35.5% in FY14 to 43% in FY24. A further breakdown of university revenues for the last eleven fiscal years is shown below:

	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24 Budget
Revenues:											
State Support	\$308.1	\$350.7	\$384.7	\$374.0	\$342.9	\$356.7	\$376.7	\$397.8	\$479.5	\$473.8	\$298.4
Tuition (Net of Discounts)	290.4	319.7	353.4	377.5	402.7	426.4	445.3	449.6	468.3	492.1	514.3
Fees	106.7	116.2	124.3	133.5	136.1	137.7	154.5	138.6	153.0	159.8	161.4
Auxiliary Enterprise Revenue	198.7	204.4	214.6	214.8	217.5	218.9	177.6	81.0	187.9	221.6	230.3
All Other Revenues	214.2	229.4	244.2	238.1	245.1	295.8	308.3	377.8	394.6	375.6	366.4
Total Revenues	\$1,118.1	\$1,220.4	\$1,321.2	\$1,337.9	\$1,344.3	\$1,435.5	\$1,462.4	\$1,444.8	\$1,683.3	\$1,722.9	\$1,570.8
State support as % of budget	27.6%	28.7%	29.1%	28.0%	25.5%	24.8%	25.8%	27.5%	28.5%	27.5%	19.0%
Tuition/fees as a % of budget	35.5%	35.7%	36.2%	38.2%	40.1%	39.3%	41.0%	40.7%	36.9%	37.8%	43.0%

This chart includes the federal COVID support received through the State (ARPA - \$20M in FY20, \$39.2M in FY23, \$42.2M in FY24) in the 'State Support line item.

How does the level of state support for the University compare to other state higher education institutions?

UConn gets more state support on a percentage basis than most equivalent state schools. A comparison of the university to other state higher education institutions is shown below. The "Institution Has Hospital" column in the table below is intended to represent which universities also have a hospital since UConn's numbers include UConn Health.

The state appropriation as a percentage of core revenue numbers was included in a recent report widely distributed by the state. This core revenue calculation excludes the notable income generated through auxiliary activities (i.e., housing, dining, athletics) and UConn Health hospital/clinical endeavors. When the university makes public presentations based on this data, the calculation of state appropriation as a percentage of total revenues is generally used.

Institution Name	Institution Has Hospital	State Appropriation as a Percent of Total Revenues (%)	State Appropriation as Percent of Core Revenues (%)
University of Alaska Fairbanks	No	35%	36%
University at Buffalo	Yes	34%	39%
University of Idaho	No	33%	36%
University of Massachusetts-Amherst	No	29%	34%
University of South Dakota	No	28%	31%
University of Wyoming	No	28%	30%
University of Maryland-College Park	No	27%	30%
University of Georgia	No	26%	31%
University of Connecticut	Yes	26%	38%
University of Hawaii at Manoa	No	25%	28%
University of Nebraska-Lincoln	No	23%	29%
University of Florida	No	23%	24%
The University of Tennessee-Knoxville	No	22%	27%
University of Maine	No	21%	25%
University of Arkansas	No	20%	26%
University of Nevada-Reno	No	19%	21%
The University of Montana	No	19%	22%
University of North Dakota	No	18%	19%
Rutgers University-New Brunswick	Yes	18%	25%
University of Kansas	No	18%	20%
Louisiana State University and Agricultural & Mechanical College	No	17%	21%
West Virginia University	No	16%	17%
University of Minnesota-Twin Cities	No	14%	16%
University of Wisconsin-Madison	Yes	13%	14%
University of California-Berkeley	No	12%	12%
University of Arizona	No	12%	13%
University of North Carolina at Chapel Hill	No	12%	14%
University of Rhode Island	No	11%	15%
Indiana University-Bloomington	No	11%	14%
University of Mississippi	Yes	11%	25%
University of South Carolina-Columbia	No	10%	14%
The University of Alabama	No	10%	13%
University of New Mexico-Main Campus	Yes	10%	21%
University of Oklahoma-Norman Campus	No	10%	12%
University of Oregon	No	8%	9%
The University of Texas at Austin	Yes	8%	7%
University of Illinois Urbana-Champaign	No	7%	8%
University of New Hampshire-Main Campus	No	7%	10%
University of Vermont	No	7%	9%
University of Missouri-Columbia	Yes	7%	15%
University of Washington-Seattle Campus	Yes	6%	8%
University of Utah	Yes	6%	14%
University of Kentucky	Yes	5%	12%
University of Iowa	Yes	5%	12%
Ohio State University-Main Campus	Yes	5%	8%
University of Virginia-Main Campus	Yes	2%	3%
University of Michigan-Ann Arbor	Yes	2%	4%
University of Colorado Boulder	No	0%	0%

How does our budget compare overall with relevant peer institutions?

The university is ahead of relevant peer institutions on some budgetary metrics and behind on others. Like most state flagship universities, UConn has seen a decline in state support as a percentage of total revenue, though this decline has been less than at other state universities. In many cases, including UConn, tuition is now the largest revenue source, surpassing state support. UConn also has a higher fringe rate than its peers due to the large State unfunded pension liability costs included in the rate. State support is greater than most universities as a percentage of revenues due to the high fringe reimbursement and UConn's lower level of other sources of revenue. UConn's endowment income supporting the university is below most peer institutions. Although the Foundation has had record-breaking giving in recent years, there is a lag period for many pledges to generate income, an example being estate gifts. In addition, UConn's research portfolio is below many of its peers. This is partly due to the competitive pressure on grants at UConn due to the university's high fringe rate.

What is SEBAC, and how does it impact UConn's budget?

The State Employees Bargaining Agent Coalition (SEBAC) is a coalition of individual unions from various agencies of the State of Connecticut. SEBAC is the representative established by state statute that bargains with the state regarding changes to the state employees retirement system and collective bargaining negotiations concerning health and welfare benefits (Sec. 5-278(f)). For all other terms and conditions of employment, including salaries, the Board of Trustees, through the university administration, negotiates with the university's employee unions (Sec. 5-278(a)(3)). Four times since 2009, the state has negotiated agreements with SEBAC that affected retirement, health and welfare benefits, and salaries (2009, 2011, 2017, and 2022). In these cases, the state asked the Board of Trustees to support salary freezes and raises that mirrored those of other state employees. Although the state has provided ongoing funding to cover the amount promised in the 2022 SEBAC agreement for employees that the university pays with the block grant (about 47%), the agreement also affects the university's salary and fringe costs related to employees that it pays through other funds.

Information about SEBAC is available here: <https://www.ctstateemployees.org/>

The 2022 agreement between the university and SEBAC is available here: <https://hr.uconn.edu/wp-content/uploads/sites/1421/2022/05/2022-SEBAC-Agreement.pdf>

How does the size of our endowment compare with relevant peer institutions?

The size of the university's endowment is less than most of our relevant peer institutions. The below table shows the value of endowment assets over a five-year fiscal period with comparisons of peer institutions.

Vale of Endowment Assets

Institution Name	FY22	FY21	FY20	FY19	FY18
University of Virginia-Main Campus	10,366,577,975	7,146,475,548	6,953,904,472	6,856,257,988	6,308,922,241
University of North Carolina at Chapel Hill	5,166,499,366	3,523,738,580	3,513,938,218	3,307,663,198	2,947,111,046
The Pennsylvania State University	4,608,409,000	3,357,994,000	3,164,850,000	2,891,684,000	2,615,568,000
Boston University	3,392,513,000	2,421,115,000	2,311,388,000	2,179,287,000	1,957,021,000
University of Delaware	1,957,793,296	1,453,189,476	1,466,069,934	1,413,197,459	1,364,057,422
Syracuse University	1,814,019,946	1,390,552,629	1,392,691,380	1,338,287,247	1,258,728,050
Rutgers University-New Brunswick	1,534,726,000	1,150,827,000	1,130,228,000	1,015,059,000	985,463,000
Northeastern University	1,469,238,000	1,088,470,000	1,074,592,000	847,756,000	795,872,000
University of Maryland-College Park	943,172,167	723,802,307	691,269,418	619,989,523	548,749,570
Quinnipiac University	824,411,508	545,134,316	556,603,870	526,568,412	481,625,542
University of Vermont	731,031,000	562,493,000	566,714,000	554,985,000	453,323,233
University of Connecticut	589,650,099	466,159,506	450,029,251	423,165,900	401,299,110
University of Massachusetts-Amherst	494,397,003	368,421,559	362,596,641	336,662,978	323,565,856
Stony Brook University	366,699,386	279,331,275	265,806,703	244,955,670	233,966,854

Who determines how much state support is provided to UConn? How often is a new budget drafted related to state support?

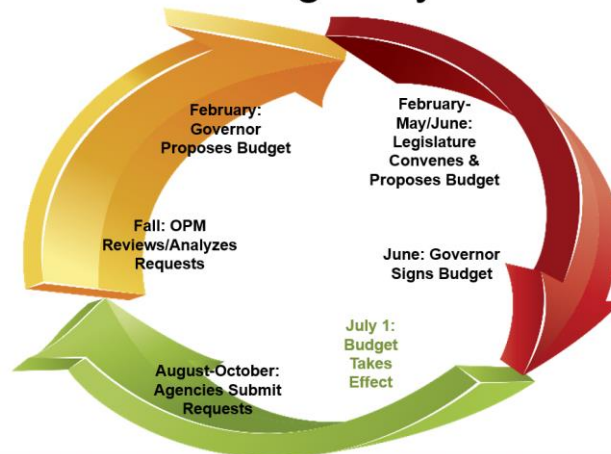
The university officially requests state funding on a biennial basis. However, a mid-term budget is reviewed and adjusted in the interim year between the biennial budget year. Each year, the university develops a budget internally and requests the state support portion from the State. Through the legislative process (Feb-May), the university advocates on its behalf through various hearings, and the state support request is reviewed and approved by the legislature and ultimately signed by the governor. The below charts outline the internal and state budget timeline.

BUDGETING TIMELINE					
Fiscal Year Timeline Summary					
JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<ul style="list-style-type: none"> July 1: New FY begins: perm funding and budgets are automatically loaded into KFS 	<ul style="list-style-type: none"> Mid-month: PY fund balances are loaded into accounts (2-L amounts over 2.5% cap are swept centrally) 	<ul style="list-style-type: none"> Mid-month: Central completes TF and BA for GA salary increases* 			
JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
	<ul style="list-style-type: none"> Early February: BC user training is offered All month: Provost and CFO Budget Hearings begin Governor proposes State budget 	<ul style="list-style-type: none"> Early March: Provost and CFO Budget Hearings continue State legislature deliberates the Governor's budget proposal Mar-May 	<ul style="list-style-type: none"> Mid-month: Completed BC submissions due All Month: Year-end Accounting deadlines begin for various document types 	<ul style="list-style-type: none"> All month: Year-end Accounting deadlines continue All month: Begin funding all account deficits Governor signs final State budget May - June 	<ul style="list-style-type: none"> Mid-month: Year-end Accounting deadline for BA and TF eDocs (along with other Accounting eDocs) University's budget is presented to the Board of Trustees for approval

*Other Collective Bargaining Increase (CBI) TF and BA eDocs will be completed by central offices per negotiated contract increase dates.

UCONN UNIVERSITY OF CONNECTICUT

State Budget Cycle



Have tuition and fees kept up with growth at UConn?

Tuition and fees revenues have grown faster than overall expenses since FY13. This is because tuition and fee income increases have offset revenues with little or no growth to sustain current operations. As state support as a percentage of the university's total budget has decreased, tuition and fee revenues are now

the most significant revenue source from the university. As the university works to ensure continued State funding and growing revenues from other sources, such as the UConn Foundation, the operating budget will depend on tuition to offset increased operational costs. As other revenue sources materialize, the university can work to become less tuition-dependent. Note that the growth in tuition and fee revenues is due to changes in rates, in-state/out-of-state mix, and enrollment.

	FY13	FY23	Annual Change
Tuition and Fee Revenue	372.7	651.9	7.49%
Total Expense*	619.6	1003.4	6.19%
*Expenses reflect 2-ledger (Tuition and State Support funded)			

Who determines how the budget is allocated and spent?

Spending on the university’s operating budget has centralized and decentralized aspects. The Office of Budget, Planning and Institutional Research estimates overall revenues and expenses for the year, including changes to ongoing costs, revenue changes, and planned spending on strategic goals. The university allocates funds to the functional areas of Administration and Academics. Schools, colleges, and other units that report directly to the Provost receive funds distributed at the discretion of the Provost. Departments in the schools and colleges then receive funds distributed at the discretion of the Deans. Administration units receive funds distributed at the discretion of the President and CFO. During the budget hearing process, schools, colleges, and administrative units submit a budget document that includes current and future year forecasts, plans for recissions and requests for additional funding to meet the university’s strategic goals. The funds allocated in this fashion are known as 2-ledger funds, funded primarily by tuition and state support. Funds outside the scope of 2-ledger funds, generally known as 3 or 4-ledger funds, are generated by a particular school or department and managed by that school or department.

What is the impact of research on UConn’s budget?

UConn is a Research I academic institution. Research is a net cost to the university, which is not unique to UConn. As a result, the university relies on other funding sources to supplement sponsored research. Following federal guidelines, the university’s calculated indirect rate is 70 cents on the dollar. However, UConn’s federally approved indirect rate that it can charge on grants is only 61 cents. Therefore, for every dollar in direct research revenue, 61 cents is added to account for facilities and administrative costs related to sponsored research, which is less than the actual costs. Therefore, the university absorbs the remaining 9 cents on the dollar. In addition, the actual effective rate that UConn receives for all sponsored research in indirect recoveries is 33 cents on the dollar. This is due, in part, to the fact that all grants are not eligible to receive the full indirect rate; these include state, training grants, and other private grants. Therefore, on the overall sponsored research program, UConn only received 33 cents on the dollar, which does not offset the total costs of the research enterprise of 70 cents on the dollar.

How much of the budget is allocated to athletics, and is that allocation rising or falling relative to other University areas?

The university maintains a Division I athletics program, which requires significant investments; however, since FY13, expenses related to athletics have dropped slightly as a percentage of the total unrestricted costs of the university. A breakdown in unrestricted expenditures for athletics as compared to other university areas is visualized below. Note that unrestricted expenses account for about 80% of the total budget.

Unrestricted Expenses					
Unit	FY13		FY23		Variance
	Expense (\$M)	% of total	Expense (\$M)	% of total	
Athletics	56,478,005	6.37%	76,798,168	5.40%	-0.97%
Schools/Colleges	331,244,611	37.37%	536,817,159	37.75%	0.38%
All Other	498,706,941	56.26%	808,517,664	56.85%	0.59%
	886,429,557		1,422,132,992		

Note: 'All Other' includes other academic related areas such as the Library, CETL, Regional Campuses, ITS as well as other administrative units such as Facilities, University Safety, HR, Enrollment, Student Affairs, etc.

What is the role of Budget, Planning, and Institutional Research?

The Office of Budget, Planning and Institutional Research manages the financial resources available to the university as efficiently and effectively as possible in support of the university's mission. The Office provides analytical support in shaping long-term institutional policies and programs. The Office also produces, maintains, analyzes, and forecasts accurate, impartial, and comprehensive information about the university's past, present, and future. They provide official university data and analysis and utilize a performance-based approach to inform resource allocation. The Office of Budget, Planning, and Institutional Research does not make policy decisions regarding university allocations.

Where can I learn more about the University budget and University budget processes?

A wealth of information is available from the Office of Budget, Planning, and Institutional Research here: <https://bpir.uconn.edu/>. This includes costs related to the University's operating budget, capital budget, fringe benefit rates, institutional research, and budget hearings.

Who created this document?

The University Senate Budget Committee created this document in collaboration with Reka Wrynn and the Office of Budget, Planning, and Institutional Research. The committee is grateful for the factual information and the helpful collaboration of the budget staff to make this FAQ possible.

University Senate Budget Committee Charge: *This committee shall review the planning and allocation of the University's operating, capital, and other budgets, the process of making budgetary and financial decisions, and determining priorities among academic and other programs having financial implications.*

Glossary of Selected Terms

2-Ledger Expenses – Costs funded by tuition and state support. Any contractual increases related to 2-ledger funds are usually covered centrally from those fund sources, including collective bargaining increases, fringe rate increases, accrued payouts, longevity, etc. 2-ledger accounts can have permanent and one-time funding and have historically had a 2.5% carryforward cap limit applied to them each fiscal year. That cap was removed for the end of FY23.

3- and 4-Ledger Expenses - In contrast, 3- and 4-ledger operating accounts are funded through self-generated external revenues, which must cover all operating costs associated with that activity and have no carryforward limit. Most IDC accounts also exist as 4-ledger accounts.

Block Grant – The amount of State appropriated funds given to the university through the State budget. We receive a State appropriated block grant at the beginning of each fiscal year, which is used to cover the salaries of selected individuals. The block grant covers approximately 43% of UConn's faculty and staff salaries. The university also receives fringe benefit reimbursement from the State Comptroller's office for employees paid by the block grant.

Fiscal Year – The one-year period for which budgets are designed and allocated. The fiscal year at the University is not the same as the calendar year. The fiscal year at the University begins on July 1. For example, fiscal year 23-24 (FY 23-24) started on July 1, 2023, and will end on June 30, 2024.

Fringe benefits - Extra benefits supplementing employees' direct salaries and wages. Fringe benefits include retirement, health insurance, social security, unemployment/worker's compensation, and other benefits. The State Comptroller develops most of the components of the fringe rates and charges the university those rates for each employee. Because fringe benefits rates vary based upon the retirement and health insurance plan in which the employees participate, the University develops internal blended fringe rates to charge units to eliminate employee benefit selection bias and for ease of budgeting. Due to a change in the fringe methodology at the State, as of FY24, the University now pays the health insurance, social security, unemployment/worker's compensation, and other benefits costs for all employees and the State pays for all retirement costs. This initial change in fringe methodology is budget neutral to the university's bottom line as any gain from the fringe cost switch was removed from the block grant. The University is currently reviewing the effects of the FY24 changes on fringe benefits rates and the appropriate response.

Indirect costs (IDCs) are associated with the administration of research and sponsored projects. These costs cover general operations and are not associated with a specific research project. The funds recovered from grants for IDCs are split as follows: 70% OVPR, 10% Dean, 10% Department, and 10% Faculty.

Unfunded Pension Liability - Cost for the state's legacy pension liabilities for prior and some current state employees for which the state did not save enough for decades. These costs are unrelated to the normal cost of providing retirement benefits for current UConn/UConn Health employees. The state includes this extra cost in the state-developed retirement fringe benefit rate. Prior to FY24, the university had to cover all fringe costs, including this unfunded pension liability, for employees paid by funds other than the block grant. Beginning in FY24, the state began paying the retirement costs for all employees, including the unfunded pension liability, removing those costs and the equivalent state funding from the University's budget. The university pays for all remaining fringe costs for all employees.