FY24 Expenses

UConn $1.5B

- Salaries & Wages: 43.6%
- Fringe Benefits: 10.0%
- Financial Aid - Tuition: 11.4%
- Financial Aid - Other: 6.4%
- Equipment: 1.9%
- Energy: 1.9%
- Purchased Services: 11.2%
- Other Expense: 8.0%
- Debt/Capital: 5.6%

UConn Health $1.5B

- Salaries & Wages: 38.3%
- Fringe Benefits: 18.6%
- Purchased Services: 9.2%
- Drugs/Medical Supplies: 11.2%
- Resident & Fellow House Staff: 4.5%
- Utilities: 1.0%
- Interest Expense on Debt Service: 0.5%
- Other Expense: 15.0%
- Capital Projects/Lease/Debt: 1.8%
5 Year UConn Financial Plan

Diversified plan to achieve financial sustainability includes:

- Seeking new revenues and growing existing streams (i.e. enrollment mix maximization, rate increases, endowment growth)
- Requested $47.3M of state funds for FY25
- Utilization of one-time fund sources to cover the large gaps in earlier years
- ~15% permanent University operating support (2-Ledger) reduction required with selective reinvestment

<table>
<thead>
<tr>
<th>In millions</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
<th>FY29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Deficit</td>
<td>($70)</td>
<td>($114)</td>
<td>($123)</td>
<td>($136)</td>
<td>($146)</td>
</tr>
<tr>
<td>Operational Gains (Perm + 1x)</td>
<td>52</td>
<td>71</td>
<td>59</td>
<td>57</td>
<td>60</td>
</tr>
<tr>
<td>Remaining Gap</td>
<td>($18)</td>
<td>($43)</td>
<td>($64)</td>
<td>($79)</td>
<td>($86)</td>
</tr>
<tr>
<td>Perm Operating Support (2L) Reduction Targets</td>
<td>-3.0%</td>
<td>-4.0%</td>
<td>-3.5%</td>
<td>-2.5%</td>
<td>-2.0%</td>
</tr>
</tbody>
</table>
5 Year UConn Health Financial Plan

Diversified plan to achieve financial sustainability includes:

• Seeking new clinical programs and revenues
• Requested $12.6M of state funds for FY25
• Utilization of one-time fund sources to cover the large gaps in earlier years

<table>
<thead>
<tr>
<th>In millions</th>
<th>FY25</th>
<th>FY26</th>
<th>FY27</th>
<th>FY28</th>
<th>FY29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline Deficit</td>
<td>($29.0)</td>
<td>($64.5)</td>
<td>($55.6)</td>
<td>($41.5)</td>
<td>($27.6)</td>
</tr>
<tr>
<td>Operational Gains (Perm + 1x)</td>
<td>22.6</td>
<td>49.4</td>
<td>33.4</td>
<td>15.6</td>
<td>10.0</td>
</tr>
<tr>
<td>Remaining Gap-New Clinical programs and revenue</td>
<td>($6.4)</td>
<td>($15.1)</td>
<td>($22.2)</td>
<td>($25.9)</td>
<td>($17.6)</td>
</tr>
</tbody>
</table>
# State Funding Request

<table>
<thead>
<tr>
<th>State Support ($M)</th>
<th>UConn FY24</th>
<th>UConn FY25</th>
<th>UConn Health FY24</th>
<th>UConn Health FY25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Block Grant</td>
<td>$216.2</td>
<td>$219.6</td>
<td>$111.6</td>
<td>$114.1</td>
</tr>
<tr>
<td>Additional One-Time Support</td>
<td>82.2</td>
<td>31.1</td>
<td>86.5</td>
<td>43.2</td>
</tr>
<tr>
<td>JDH Fringe Benefit Differential</td>
<td>4.5</td>
<td>4.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Appropriation</strong></td>
<td><strong>$298.4</strong></td>
<td><strong>$250.7</strong></td>
<td><strong>$202.6</strong></td>
<td><strong>$161.6</strong></td>
</tr>
<tr>
<td>Original Request</td>
<td></td>
<td></td>
<td>47.3</td>
<td>46.0</td>
</tr>
<tr>
<td>Revised Request</td>
<td></td>
<td></td>
<td>47.3</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$298.0</strong></td>
<td></td>
<td><strong>$174.2</strong></td>
<td></td>
</tr>
</tbody>
</table>

Any approved collective bargaining increases will generate an added request for additional state support.

$59.9
$472.2
CT FISCAL CONTROLS / GUARDRAILS

FY25 State Budget Outlook

Virtual Town Hall
January 24, 2024

Sources:
CT General Assembly Office of Legislative Research (OLR) and Office of Fiscal Analysis (OFA) and CT State Office of Policy and Management (OPM) Fiscal Accountability Reports FY2024-FY2028 and Presentations 12.4.23
THE STATE HAS SEVERAL LAWS/GUARDRAILS DESIGNED TO:

- Limit state spending or borrowing,
- Ensure the budget reserve fund (BRF, i.e., the “rainy day fund”) is adequately funded, and
- Reduce the likelihood of budget deficits

WHEN WERE THE LAWS ENACTED?

- Adopted by the CT General Assembly (GA) in 2017; and
- Extended by a unanimous vote by the GA in 2023 to continue them to FY33 unless the GA adopts a resolution not to continue beyond FY28.
CT Fiscal Guardrails

THE LAWS INCLUDE A:

Spending cap, limits the year-to-year growth in general budget expenditures
• CT cannot adopt a budget that exceeds the percentage increase in either personal income growth or the increase in inflation – whichever is greater
• The spending cap calculation excludes debt service, a fraction of pension costs in the Teachers’ Retirement System, court orders and expenditures of federal revenue. However, most appropriations are subject to the spending cap calculation (eg. K-12 education and higher education, health care, social services, town aid and other core programs).

Revenue cap, limits the percentage of estimated revenues that may be appropriated in any fiscal year; and
• CT cannot pass a budget that appropriates more that 98.75% of the total estimated revenue for any given year (FY25 adopted budget is $288M below total est. revenue).
• Beginning with the closeout of FY24, the BRF minimum amount increases from 15% to 18% of General Fund Appropriations.
• Any surplus must be split 50/50 between the BRF & paying down pension debt until 18% is achieved.

Volatility cap, requires that certain revenues be transferred to the Budget Reserve Fund (BRF)/Rainy Day Fund.
• Requires CT to transfer to the BRF any revenues that exceed $3.15B from the Pass Thru Entity Tax & from taxpayers who make income tax payments quarterly. The FY24 volatility payment is estimated to be $478M
CT Fiscal Guardrails

OTHER SIGNIFICANT CONDITIONS IN LAW:

• The spending cap can be overridden if the governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house approve the extra expenditure for those purposes.

• Each of the spending and borrowing laws is subject to the “bond lock” law. Specifically, this law requires the state treasurer to include a pledge to bondholders in general obligation (GO) and credit revenue bonds issued in FYs 24 and 25 that the state will comply with these fiscal controls except under limited circumstances.

FISCAL GUARDRAILS PERFORMANCE:

• In FY 24, Budget Reserve Fund is at $3.3B

• Since 2020, contributions to the state’s underfunded pension plans reached nearly $8B. $36.6B remains unfunded in the State Employees and Teachers’ pension funds.
State’s Fiscal Challenges – FY25

As Presented By The State Office Of Policy And Management (OPM) and CT General Assembly Office of Fiscal Analysis (OFA) on December 4, 2023 to the Legislature - Fiscal Accountability Reports FY24-28

FY25 STATE BUDGET OUTLOOK ESTIMATES:

• The adopted state budget will be $30M over the spending cap.

• Several state agencies are expected to have deficiencies totaling more $270M this fiscal year which, to the extent they are recurring, may mean the FY25 budget may need to address those spending requirements.

• The one-time funds the state provided to UConn via federal ARPA funds expire and additional state carry forward funds are not expected to be available.