

Budget Discussion January 2024

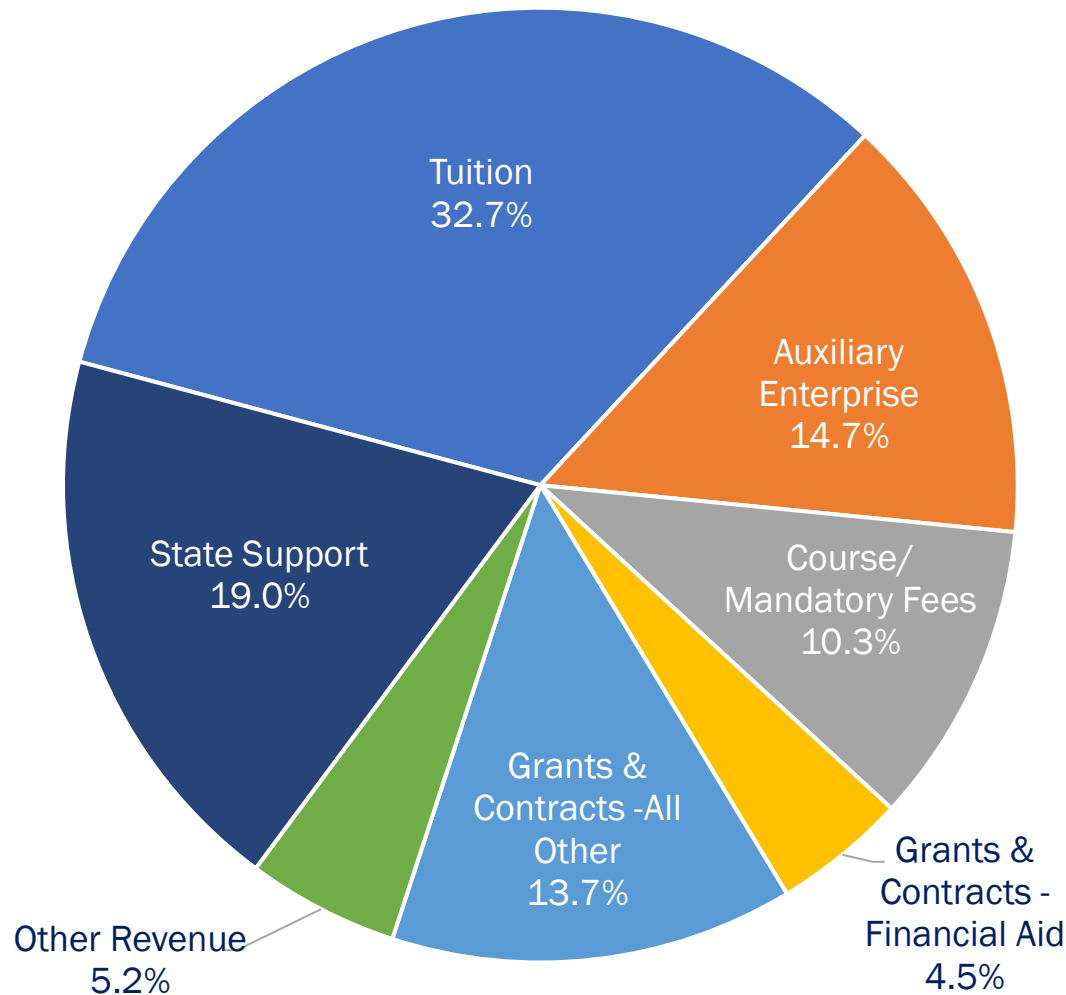


FY24 Revenues

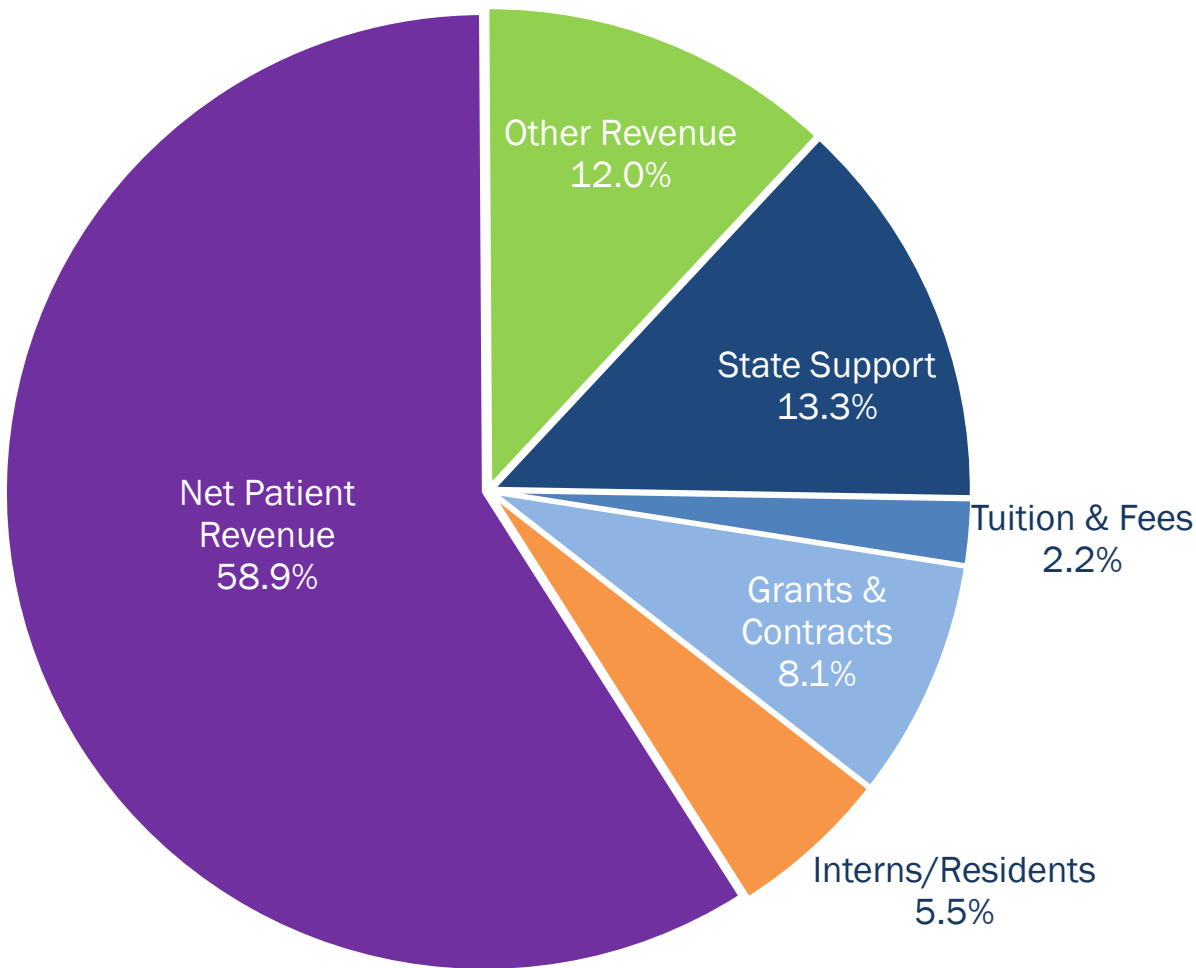
\$3.0B

UConn \$1.5B

UConn Health \$1.5B



UConn

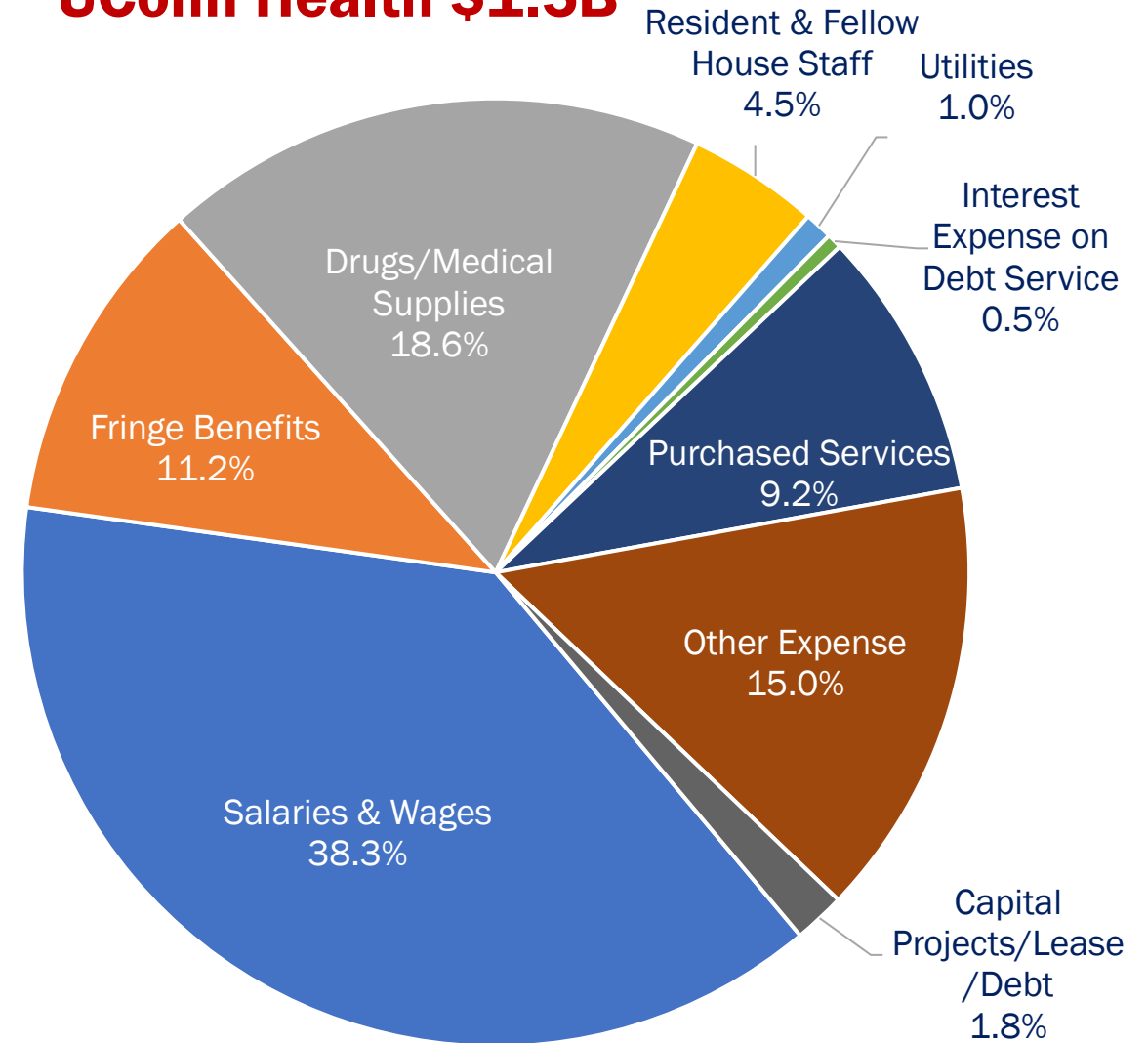
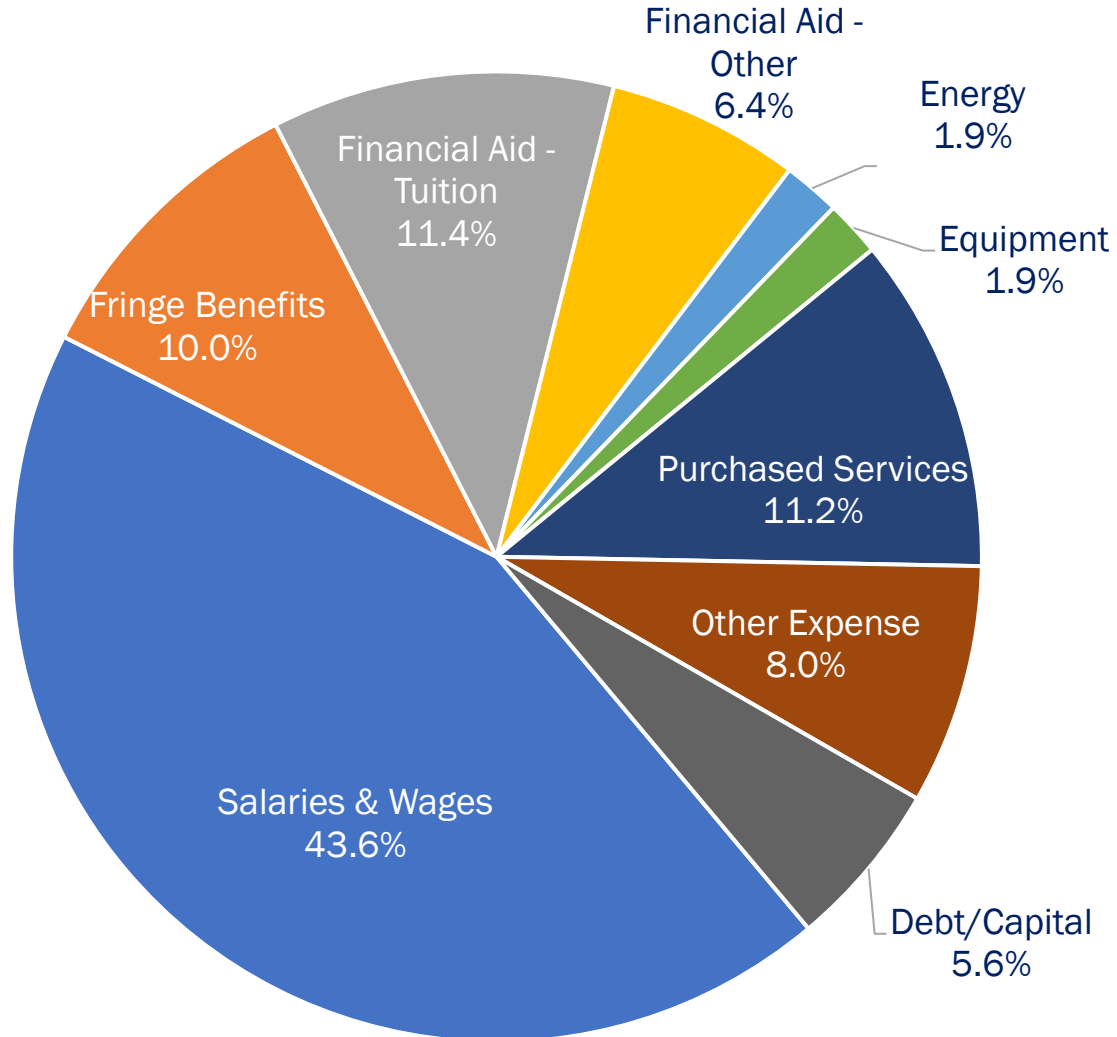


FY24 Expenses

\$3.0B

UConn \$1.5B

UConn Health \$1.5B



UConn

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

In millions	FY25	FY26	FY27	FY28	FY29
Baseline Deficit	(\$70)	(\$114)	(\$123)	(\$136)	(\$146)
Operational Gains (Perm + 1x)	52	71	59	57	60
Remaining Gap	(\$18)	(\$43)	(\$64)	(\$79)	(\$86)
Perm Operating Support (2L) Reduction Targets	-3.0%	-4.0%	-3.5%	-2.5%	-2.0%

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

In millions	FY25	FY26	FY27	FY28	FY29
Baseline Deficit	(\$29.0)	(\$64.5)	(\$55.6)	(\$41.5)	(\$27.6)
Operational Gains (Perm + 1x)	22.6	49.4	33.4	15.6	10.0
Remaining Gap-New Clinical programs and revenue	(\$6.4)	(\$15.1)	(\$22.2)	(\$25.9)	(\$17.6)

State Funding Request

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



\$59.9
\$472.2

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

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

CT FISCAL CONTROLS / GUARDRAILS

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 than 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**.

State Support

	UConn						UConn Health					
	FY19	FY20	FY21	FY22	FY23	FY24	FY19	FY20	FY21	FY22	FY23	FY24
Block Grant	187.4	197.1	206.5	220.8	229.9	216.2	118.1	124.9	132.9	142.2	153.2	111.6
Other	5.1			47.8	62.9	82.2	0.0	33.2	50.0	103.9	110.4	86.5
Subtotal	\$192.5	\$197.1	\$206.5	\$268.6	\$292.8	\$298.4	\$118.1	\$158.1	\$182.9	\$246.1	\$263.6	\$198.1
Block Grant Fringe	164.0	179.6	191.4	210.9	179.4		132.7	138.4	148.0	170.9	149.4	4.5
Total State Support	\$356.5	\$376.7	\$397.9	\$479.5	\$472.2	\$298.4	\$250.8	\$296.5	\$330.9	\$417.0	\$413.0	\$202.6
State Support as % of Revenues	25%	26%	28%	29%	27%	19%	24%	27%	26%	28%	26%	13%
Employee Salaries Funded by Block Grant	35%	34%	35%	34%	34%	31%	25%	25%	25%	28%	29%	19%

The State permanently funded Block Grant salary increases of \$26.3M for UConn and \$14.3M for UConn Health from FY22-FY24. These Block Grant increases were offset by the reductions for the fringe methodology change. Additional one-time funds over this period have helped to fund the non-Block Grant salary increases.

Budget Town Hall Athletics

January 24, 2024

NONCONTROLLABLE COSTS

PAYROLL INCREASES

FY19	\$300K
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FY20	\$620K
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FY21	\$1.13M
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FY22	\$1.83M
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FY23*	\$3.64M
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SCHOLARSHIP INCREASES

FY19	\$452K
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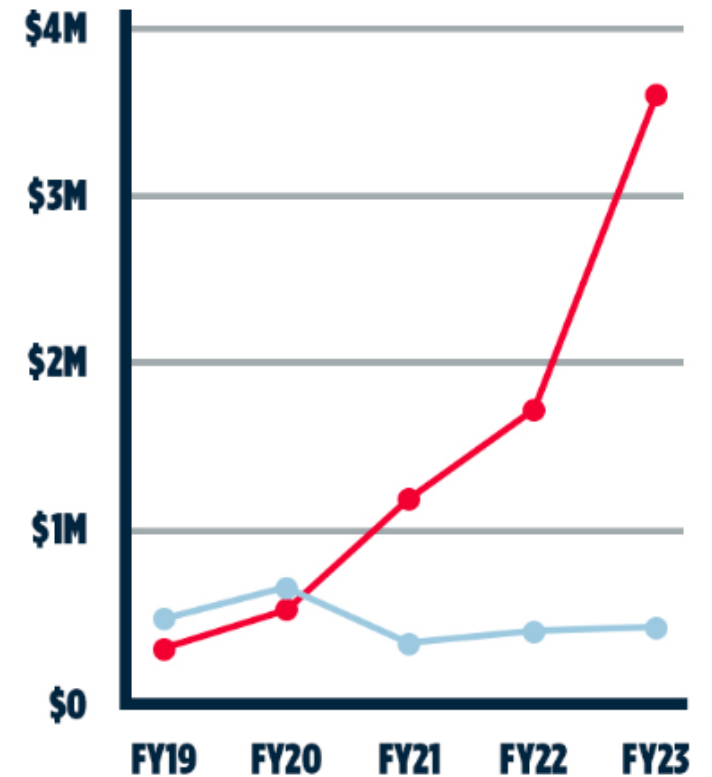
FY20	\$657K
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FY21	\$307K
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FY22	\$346K
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FY23	\$374K
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TOTAL ADDED COSTS TO FY24 BUDGET: \$7.33M



*FISCAL YEAR INCLUDES AN ADDITIONAL PAY PERIOD (27 PAY PERIODS)

DIRECT INSTITUTIONAL SUPPORT

DIRECT INSTITUTIONAL SUPPORT DECREASED BY 35% IN FY23

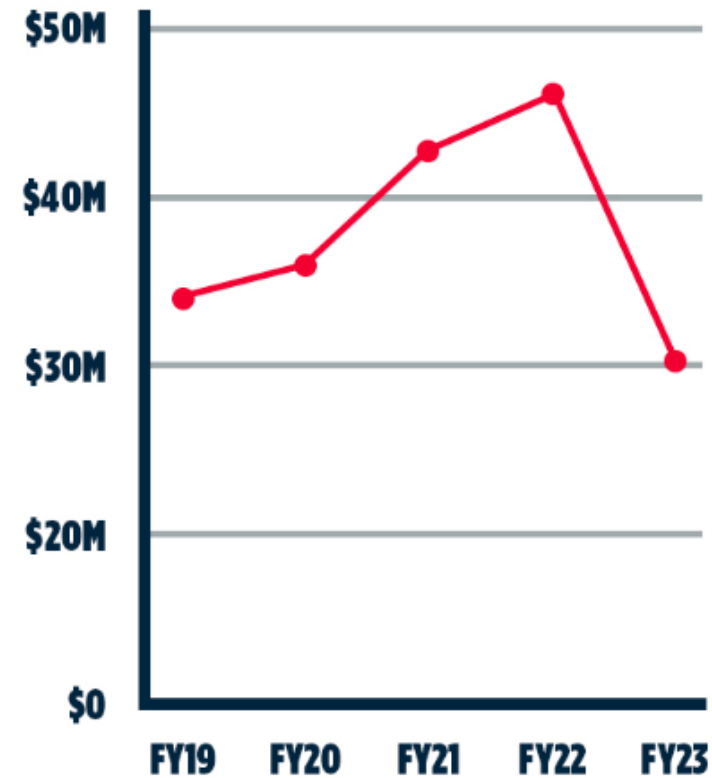
FY19	\$33.5M
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FY20	\$37.0M
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FY21	\$42.6M
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FY22	\$46.5M
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FY23	\$30.2M
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SELF-GENERATED REVENUE

SELF-GENERATED REVENUES INCREASE 26% IN FY23

FY19	\$37.0M
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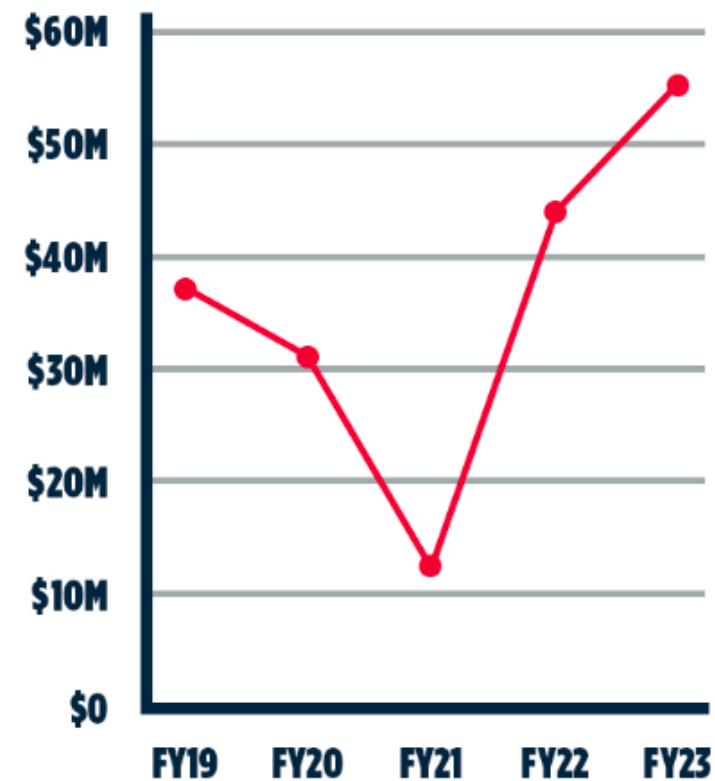
FY20	\$30.9M
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FY21*	\$12.0M
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FY22	\$43.7M
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FY23	\$55.1M
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*COVID YEAR INCLUDING SPECTATOR RESTRICTIONS



Town Hall

February 21, 2024

Fiscal Year 2025 Forecast

(In Millions)

	UConn	UConn Health
Forecasted Loss	(70.0)	(29.0)
Reduction in State Support		(4.3)
Additional State Support	47.3	16.9
Additional Revenues	4.7	10.0
Operating Support Reductions	18.0	6.4
Forecasted income / (loss)	0	0

FY25 Operating Budget: Additional State Funds Requested

State Support (\$M)

	UConn			UConn Health		
	Approved		Governor Proposed	Approved		Governor Proposed
	FY24	FY25	FY25	FY24	FY25	FY25
Block Grant	\$216.2	\$219.6	\$219.6	\$111.6	\$114.1	\$114.1
One-Time Support for Permanent Salary Increases & Fringe	82.2	31.1	31.1	86.5	43.2	43.2
JDH Fringe Benefit Differential (PA 23-205)				4.5	4.3	-
Total	\$298.4	\$250.7	\$250.7	\$202.6	\$161.6	\$157.3

- In FY25, the Governor proposed \$250.7M for UConn and \$157.3M for UConn Health, **which is \$4.3M less than previously approved.**
- The FY25 proposed levels provide less one-time funds and leave UConn and UConn Health with a significant shortfall.

Additional State Funds Requested (\$M)

	UConn			UConn Health		
Orig. Add'l Perm Block Grant Request (Oct '23)		47.3			46.0	
Additional Permanent Block Grant Request (Jan '24)		47.3	47.3		12.6	12.6
JDH Fringe Benefit Differential						4.3
FY25 Wage Reopener		TBD			TBD	
Additional Request Subtotal			47.3			16.9
Total Revised Block Grant		\$298.0	\$298.0		\$174.2	\$174.2

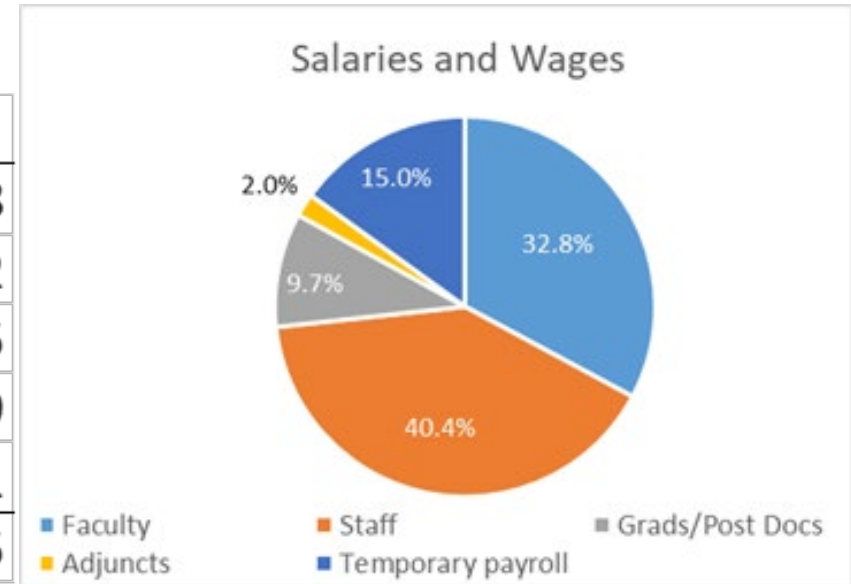
\$64.2M Revised Additional Request

UConn \$47.3M

UConn Health \$16.9M

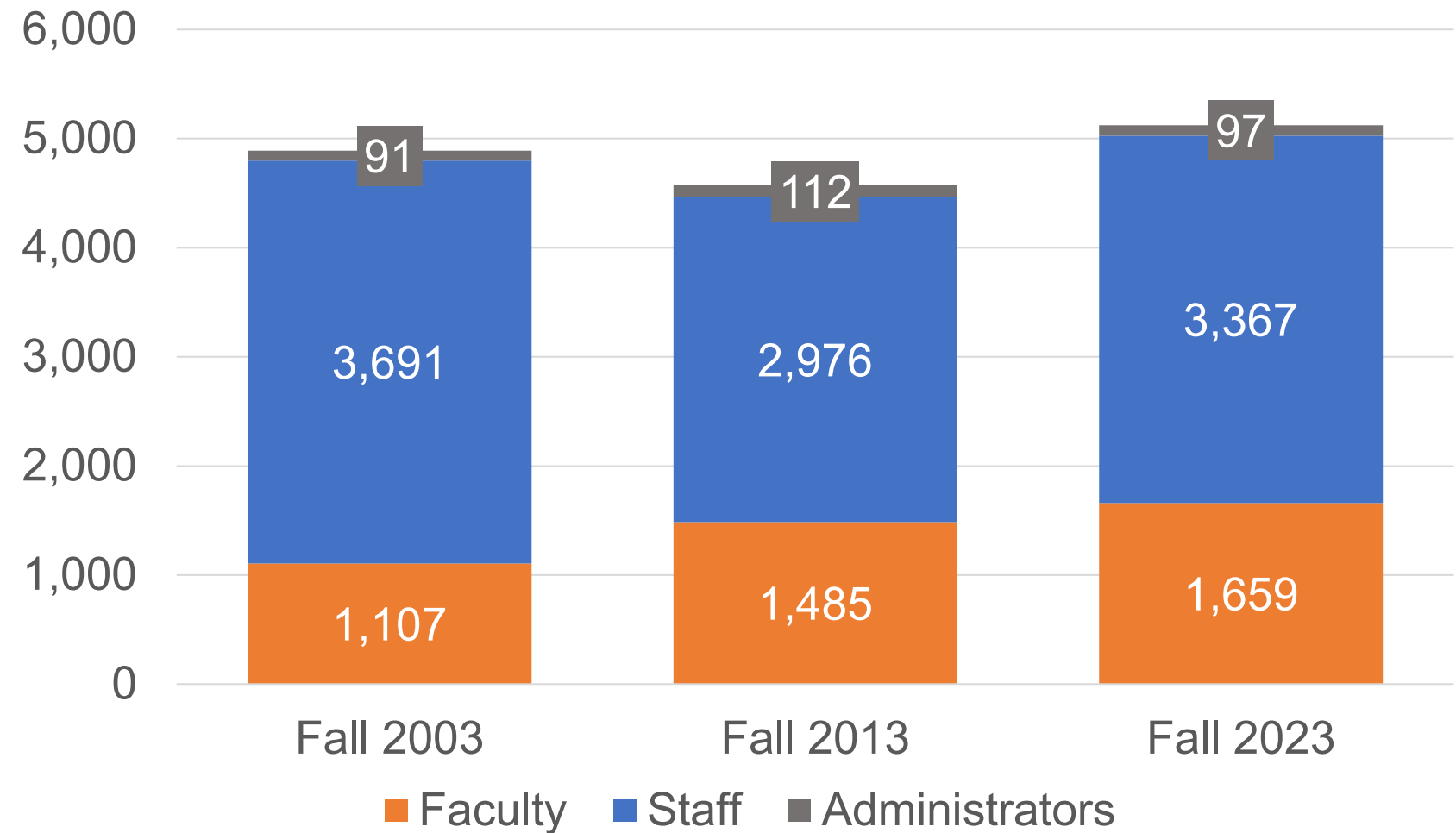
UConn

	FY25 Budget	
Faculty	32.8%	\$231.8
Staff	40.4%	\$285.2
Grads/Post Docs	9.7%	\$68.5
Adjuncts	2.0%	\$13.9
Temporary payroll	15.0%	\$106.1
	100.0%	\$705.5



UConn

Count of Full-Time Staff



Fall 2003-2023	Fall 2013-2023
+7%	-13%
-9%	+13%
+50%	+12%