

**HED Appropriations Work session  
3/10/21**

**UConn**

1. Provide detail on COVID -19 related federal funds received to date.

**Student Aid:**

Federal CARES/CRRSAA funding	Amount Received - FY20	Amount Received - FY21	Comment
HEERF - <b>Student Aid</b>	10,750,423	-	Additional student aid
HEERF -Minority Serving Institutions ( <b>MSI</b> )	-	118,690	Additional student aid - regional campuses
HEERF - Strengthening Institutions Program ( <b>SIP</b> )	-	41,767	Additional student aid - regional campuses
HEERF II (Dec) - <b>Student Aid</b>		10,750,423	Additional student aid
<b>TOTAL - Additional Student Aid</b>	<b>10,750,423</b>	<b>10,910,880</b>	

**Institutional Aid:**

Federal CARES/CRRSAA funding	Amount Received - FY20	Amount Received - FY21	Comment
Coronavirus Relief Fund ( <b>CRF</b> )	-	9,371,906	COVID related expenditures through 12/31/20
Coronavirus Relief Fund TESTING ( <b>CRF/Testing</b> )	-	5,000,000	Fall testing costs for students and employees
<b>SUBTOTAL - Expenditure Reimbursement</b>	<b>-</b>	<b>14,371,906</b>	
HEERF - <b>Institutional</b>	10,750,422	-	Partial reimbursement of student housing and dining refunds (\$33.6M)
Coronavirus Relief Fund ( <b>CRF</b> )		20,000,000	Partial reimbursement of student housing and dining refunds (\$33.6M)
HEERF II (Dec) - <b>Institutional</b>		21,348,081	General institutional support (\$8M used for FY21 and \$13M used for FY22)
Governor's Emergency Education Relief Fund ( <b>GEER</b> )	-	1,000,000	To help cover anticipated revenue losses.UConn will also receive \$1.2M as an incr. to Roberta Willis need-based aid.
<b>Provider Relief Fund</b> (CARES act)	-	3,464	To cover revenue loss in Public Safety from fewer ambulance billings
<b>SUBTOTAL - General Institutional Support (for refunds or revenue losses)</b>	<b>10,750,422</b>	<b>42,351,545</b>	
<b>TOTAL - Institutional Portion</b>	<b>10,750,422</b>	<b>56,723,451</b>	

**Note: We have recently received communication from OPM that we will be receiving an additional \$5M in COVID relief funding that we can put towards FY22 deficits.**

2. Provide detail on Mitigation Efforts and also note any of the measures that have been reversed/halted, e.g., some of the furlough days, and the associated savings that won't happen because of the reversals?

**Of a \$76M projected deficit in FY21, \$48M in mitigation has been realized internally, \$20M was received from the State via the Coronavirus Relief Fund and \$8M received from additional federal relief, bringing the deficit to \$0.**

	<b>Current Estimate</b>
State Block Grant lapse/cut (incl fringe)	(4,643,460)
Net Loss of housing/dining/other fees	(66,893,629)
Net program revenues/expenses	(3,984,121)
<b>Deficit</b>	<b>(75,521,210)</b>
<b>Mitigation plans identified</b>	
Departmental expense savings	24,100,000
Capital reallocation	9,000,000
University-wide program cuts	13,000,000
Furlough - management	1,900,000
	<b>48,000,000</b>
State Request / Deficit*	<b>(27,521,210)</b>
Coronavirus Relief Fund (CRF) from OPM	20,000,000
Estimated Additional Federal Relief Funding (CRRSA)	7,521,210
<b>Remaining Deficit</b>	<b>\$0</b>

The \$48M of University mitigation included departmental cuts, spending savings and reallocations. Some of the specific mitigation items are included below.

**FY21 Cuts Included:**

- Senior managers: 13 furlough days\* (5.0% salary cut)
- Management: 7 furlough days\* (2.7% salary cut)
- Eliminated 5 academic programs
  - Freezing enrollment in the MA program in Adult Learning in Education
  - Elimination of library journal subscriptions
  - Elimination of Nutmeg Summer Theater
  - Elimination of Spanish language program development in School of Social Work
  - Reduced offerings of a range of elective courses across the undergrad curriculum within the College of Liberal Arts and Sciences
- Reduced admissions to 9 PhD programs
- Eliminated 4 NCAA sports
- Hiring Freeze
- Spending Freeze
- Suspended extension services to adult learners
- Halted planned expansion of the Masters in Social Work program

\*The initial furlough day plan was for senior managers to take 24 days and all other managers to take 12. The University suspended the management furloughs as of February 1<sup>st</sup> which eliminated about \$2M of internal savings, due to available federal COVID relief funding.

3. Provide FTE and employee count breakdowns by fund source

UConn FTE (excl Grads & Post Docs)		
As of February 2021		
By Fund Source		
Fund Source	FTE	Annual Salary
General Fund	2,258	206,489,318
University Supported	1,403	149,372,226
Auxilliary	487	40,151,670
Sponsored Grants	303	24,130,840
Other	454	36,156,657
<b>Total</b>	<b>4,906</b>	<b>456,300,712</b>

4. Provide projected FY 21 PS costs and total fringe costs expected to be funded by the General Fund vs. other revenue sources

FY21 Projected Salary and Fringe Costs (\$M)		
Fund Source	Salary	Fringe
General Fund	\$206.5	\$186.4
All Other Funds	\$395.4	\$153.7
<b>Total</b>	<b>\$601.9</b>	<b>\$340.0</b>



## Appropriations Committee Testimony

President Thomas Katsouleas

March 4, 2021

Distinguished members of the Appropriations Committee, this is my second appearance before you as the president of UConn and I'm humbled to be here, albeit virtually. Joining me today is Scott Jordan, Executive Vice President for Administration and Chief Financial Officer, Carl Lejuez, Provost and Executive Vice President for Academic Affairs, Nathan Fuerst, Vice President for Enrollment Planning and Management and from UConn Health, Dr. Andy Agwunobi, CEO and Executive Vice President for Health Affairs and Jeff Geoghegan, Chief Financial Officer. Attached to my testimony is a packet of information on the University you may find useful. At your convenience, I encourage you to take a few minutes to view two videos showcasing [what it means to be a Husky](#) and for an overview of our [research enterprise](#).

It seems only appropriate that I begin my testimony reflecting on what is consuming our state and country – COVID-19. I am inspired and proud of the way the University stepped up to the unprecedented challenge of the COVID-19 pandemic. Students, staff and faculty members across our entire University have demonstrated tenacity and strength that would be the envy of any championship team. Partnerships and workgroups emerged that had never collaborated before. Leadership has appeared at all levels of the institution and the silos that are often referenced in academic settings, evaporated. Teams were centered on creating the best and safest environment for our students and employees. But the greatest credits goes to our students, the vast majority of whom were careful and cautious, and followed the rules that helped keep the prevalence of the virus very low on our campuses.

I also think of the frontline workers at UConn Health whose selfless dedication saved countless lives during the worst of the pandemic. I think of the central warehouse staffers who distributed personal protective equipment, the Facilities staffers who made classrooms and residence halls safe for our students, the entire staff of Student Health and Wellness, the faculty researchers who converted their genomics research to detecting COVID in wastewater and the behavioral health scholars who developed protocol adoption strategies. I think of the faculty members who so rapidly developed courses on the pandemic and on anti-Black racism, to respond to students need to understand the events around them, and in doing so created two of the most popular classes in UConn history. I think of the people who worked to make our transition to remote instruction a success; the people who assembled COVID-19 testing kits, administered vaccines and collected samples, manufactured face shields, and worked to ensure our values of diversity and inclusion weren't lost in the response to the pandemic.

I think of the UConn community at Farmington, Storrs, the school of law, and each regional campus - Avery Point, Hartford, Stamford and Waterbury. In ways large and small, we built a winning team when it counted the most.

### **Highlights and Successes**

Despite COVID's challenges, UConn remains one of the many stars that make up the constellation of higher education institutions here in Connecticut. As the state's public flagship university and the only public research and academic medical center in the state, we continue to shine brightly.

Total enrollment is the highest it has ever been at 32,023, despite the fact we had to decrease our residential population from 12,040 to 4,700 to be as safe and as socially distant as possible. UConn (all campuses) enrolled its largest ever freshman class this year with 5750 students, 72% or 4,140 are in-state students.

We have a robust COVID testing program that includes individual and pooled testing and wastewater surveillance for students. Testing is also available for faculty and staff. We are working with the towns of Windham, Glastonbury and Manchester to provide waste water surveillance testing and have the capacity to expand to more towns.

UCH has treated 785 COVID patients (as of 2/22/21). I am so proud of Andy, the leadership and all the staff who have been true heroes throughout the pandemic.

UConn received \$286 million in research funding – our best year yet; and 7 junior faculty from Engineering and our College of Liberal Arts and Sciences were announced as NSF Faculty Early Career Development Program award winners, one of the most prestigious research grants for junior faculty in the U.S. Our startup companies raised \$400M+ in private equity (as much as the prior 4 years combined). With a typical multiplier, this represents an indirect economic impact of close to \$1B. Over 100 small business companies were assisted through our Tech Park and UConn Intellectual Property is addressing COVID-19 some highlights include CaroGen's platform for vaccine, ImStem's stem cell therapy for Corona pneumonia and CT Biotech's custom protective masks.

72% of last year's instate students who graduated are living and working in CT. UConn is the single largest producer of engineers in the state, graduating more than 50% of engineers each year. These numbers help to illustrate not only the talents of our graduates, but the tremendous value UConn brings to our state.

## **Budget Priorities**

Turning to the budget, we are grateful the Governor's proposed budget signals that higher education remains a priority to the state.

We at UConn are very much appreciative of their support for aiding us with COVID related expenses and at UConn Health in addressing the state's unfunded legacy costs and clinical revenue losses due to COVID. UConn Health does not have the ability to address these costs on its own.

Our requests of the General Assembly for the biennial budget are straight forward:

First, we are hopeful that you are able to keep us at sea level with respect to our block grant, meaning maintaining a stable block grant adjusted for any approved collective bargaining increases and funding in FY23 for the 27<sup>th</sup> payroll (which occurs once every 11 years). That stability is incredibly valuable, allowing us to provide an accessible and affordable quality education to Connecticut students. The return on the state's investment is a skilled workforce and a stronger economy now and in the future.

## **Block Grant Requests**

**Restore Level Funding:** Specifically, for UConn Storrs and the Regional Campuses, we are requesting a block grant in the amount of \$210.3 million in FY22 and \$ 220.8 million in FY23. As you are aware, one hundred percent of the state block grant (state appropriation) is used to pay employee salaries; it covers 47% of UConn salaries, the rest and other University expenses are covered by non-state appropriated revenues. Since 2016, UConn has endured \$38 million in cuts or \$70 million when including associated fringe. Continued cuts have become untenable and are impacting our ability to grow in ways that will enhance student success and our impact on the state's economy. The state block grant and associated fringe comprise 28% of UConn's revenues; this is lower than the 41.6% that comes from student tuition and fees.

**COVID Shortfalls:** We ask for additional support to address any shortfalls that may occur due to COVID related expenses or revenue losses related to housing, dining and clinical care.

**Unfunded Legacy Costs:** We ask for additional support to address the cost of the state's unfunded legacy liability, which has a significant negative impact on our students, families, research and clinical competitiveness and budgetary sustainability. Cuts have to be made across the University every year to cover these costs.

Briefly, the legacy unfunded portion of the state's fringe, retiree pension and health care costs in FY22 is expected to reach a cost of \$36.7 and \$38.9 in FY23 million for UConn and, \$58.7 million and \$60.7 million in FY23 at UConn Health. Overall this is nearly \$95 million in FY22 and \$100 million in FY23 across the institution. In total, UConn's fringe costs have grown by 130% since 2010 and now account for 22% of our budget. At UConn Health, they have grown by 170% since 2010 and now account for about 24% its total budget.

This has made our faculty less competitive when applying for grant awards, as grant reviewers can see that too much of the award would be eaten up by legacy fringe costs at the expense of the actual research. It also means that research dollars go further at our competitor institutions than they do at UConn. In addition, it means that students and their families are paying for these unfunded legacy costs through their tuition dollars - this is money that is not going toward their education and they are being double taxed. The cost per student to cover this state liability is approximately \$850 per year.

We, are grateful that in FY20 the General Assembly approved and in FY22, the Governor proposes to cover a portion of the state's unfunded legacy costs charged to UConn Health. Along with our colleagues at the Connecticut State College and Universities, the Airport Authority and Department of Transportation, we look forward to continuing to discuss this issue and will be testifying on a number of bills raised this session on the topic. Ultimately, we are in desperate need of a permanent fix to this crippling financial matter - one that is not of our making or directly attributed to UConn or UConn Health employee costs or operations.

To provide you with some additional context on our budget, in FY21 our projected deficit was about \$76 million, which we mitigated down to \$28 million through a variety of mechanisms including: management furloughs, the elimination of sports programming, academic programming, hiring and spending freezes, suspension of extending services and employee layoffs. With \$20 million from OPM through the Coronavirus Relief Fund (CRF) and additional federal relief funding (CRRSA), we expect to end this fiscal year in balance.

### **University Priorities**

With continued state investment we can make great strides in achieving the priorities I have set out and we have begun a strategic planning process around, which are:

First, to double research and scholarship at UConn over the next 7 - 10 years which will bring in an additional quarter billion dollars a year in federal funding to our state and to translate more of University discoveries into licenses, patents, start-ups and jobs. We do this primarily by hiring more outstanding faculty and by ensuring that UConn is an environment that does all it can to cultivate an atmosphere where faculty research and scholarship can thrive. This will fuel an innovation pipeline, which is critical to keeping talent in state, as well as generating a quarter of a billion dollars in activity annually. It is important to note that every research dollar that comes to UConn has a positive impact on the state of Connecticut and its economy.

The University's economic impact study show that for every research dollar that UConn attracts in externally sponsored research and spends within the state, 80 cents in economic output is generated elsewhere in the Connecticut's economy.

Second, ensuring that we at UConn are doing all we can to meet Connecticut's workforce needs and fuel economic growth. We are already doing impressive work in this area - our incubator space at UConn Health is filled to capacity, for example and we have just opened

new incubator space in Stamford – but we can do much more when it comes to growing innovation and entrepreneurship.

Third, scaling up transformative life experiences for all UConn students.

The key that will help to unlock each of these most effectively is relief from the state's unfunded legacy fringe costs.

### **UConn Health**

Finally, Dr. Agwunobi, who heads UConn Health, will speak to you in a moment. I would like to make a few comments on UConn Health before he speaks. UConn Health and its healthcare heroes persevered during this pandemic. You can be proud of your state public academic medical center's accomplishments during this unprecedented time.

UConn Health offers high-quality patient care, provides support to run an outstanding school of medicine and school of dentistry that trains the next generation of health care professionals for the state, performs high-value research, and provides specialty care to indigent patients and rare disease patients that private hospitals do not. It is performing well in a competitive marketplace. Under Dr. Agwunobi's leadership, clinical care revenue has increased by a remarkable 60% in the last six years.

That said it is important to understand that UConn Health is not a profit center and never will be. Small 200-bed academic medical centers never are. It was created more than 50 years ago to be a public agency carrying out a public mission for the state of Connecticut. Over that entire period, it has relied on the state for a portion of its operating costs, currently about 23%. We consider this historical appropriation to be an intentional investment in a valuable public mission. Not including the growth in fringe and legacy costs, the amount of state support for the operating budget and medical schools has remained basically constant over more than a decade.

In closing, I would like to leave you with this: part of the reason I came to UConn is because Connecticut is known throughout the nation as a state that places the utmost value on education.

As someone who still considers myself relatively new to Connecticut, I want to tell you that I see firsthand every day that with the support of the state's elected officials and administration, UConn continues to be an exceptional university. And from my perspective Connecticut is a beautiful, vibrant and ambitious state that I am proud to call home. I think its best days are ahead. I am excited and optimistic about what we can accomplish together as we confront the recovery from the effects of the pandemic, through this great flagship public university of ours.

Thank you.



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# **State's Unfunded Legacy Costs**

**Impact on  
UConn and UConn Health**

**Higher Education Subcommittee Work Session**

*March 10, 2021*

# State's Unfunded Legacy Costs - Key Issues

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High fringe benefit costs impact UConn and UConn Health's budgets, students and their families, and competitiveness. The largest portion of the State's retirement rate is attributable to the **State's unfunded liabilities**, which are passed on to higher ed.

- **Budget Impact** – UConn and UConn Health must pay ~\$88M of its non-state funds to cover the State's unfunded liabilities in FY21. We estimate this cost will rise to almost \$100M in FY23. Without these costs, UConn and UConn Health would not have deficit budgets.
- **Students and Their Families** - In addition to impacting our budgets, the State's unfunded legacy costs cause an undue burden, especially on our students and their families. We have to fund some of these costs with tuition and fee dollars. \$27M is not going to their education, but to a prior unfunded retiree liability. This translates into \$850 per student.
- **Research Competitiveness** – UConn and UConn Health research fringe rate is an outlier, ~ 20% higher than peers. This results in less research grant dollars, innovation, commercialization and federal dollars to the State's economy.
- **Clinical Competitiveness** – The current State fringe rates for UCH's clinical operations are ~40% higher than other hospitals and providers across the state; resulting in over \$112M in more costs for UConn Health to provide clinical care.

# Fringe Benefit Rate Components - SERS

The State Comptroller develops the fringe benefit rates and the University is charged those rates for each employee.

Below is an example showing the components of the fringe rate for an employee who is a member of the State Employees Retirement System (SERS)\*\* with an annual salary of \$100K.

## FY21 State Fringe Benefit Rate Components

<b>State Retirement (SERS) **</b>	<b>64.14%</b>
<b>FICA SS</b>	<b>6.20%</b>
<b>FICA Medicare</b>	<b>1.45%</b>
<b>Unemployment Compensation</b>	<b>0.05%</b>
<b>Group Life Insurance*</b>	<b>~0.31%</b>
<b>Health Insurance*</b>	<b>~30.00%</b>
	<b>102.04%</b>

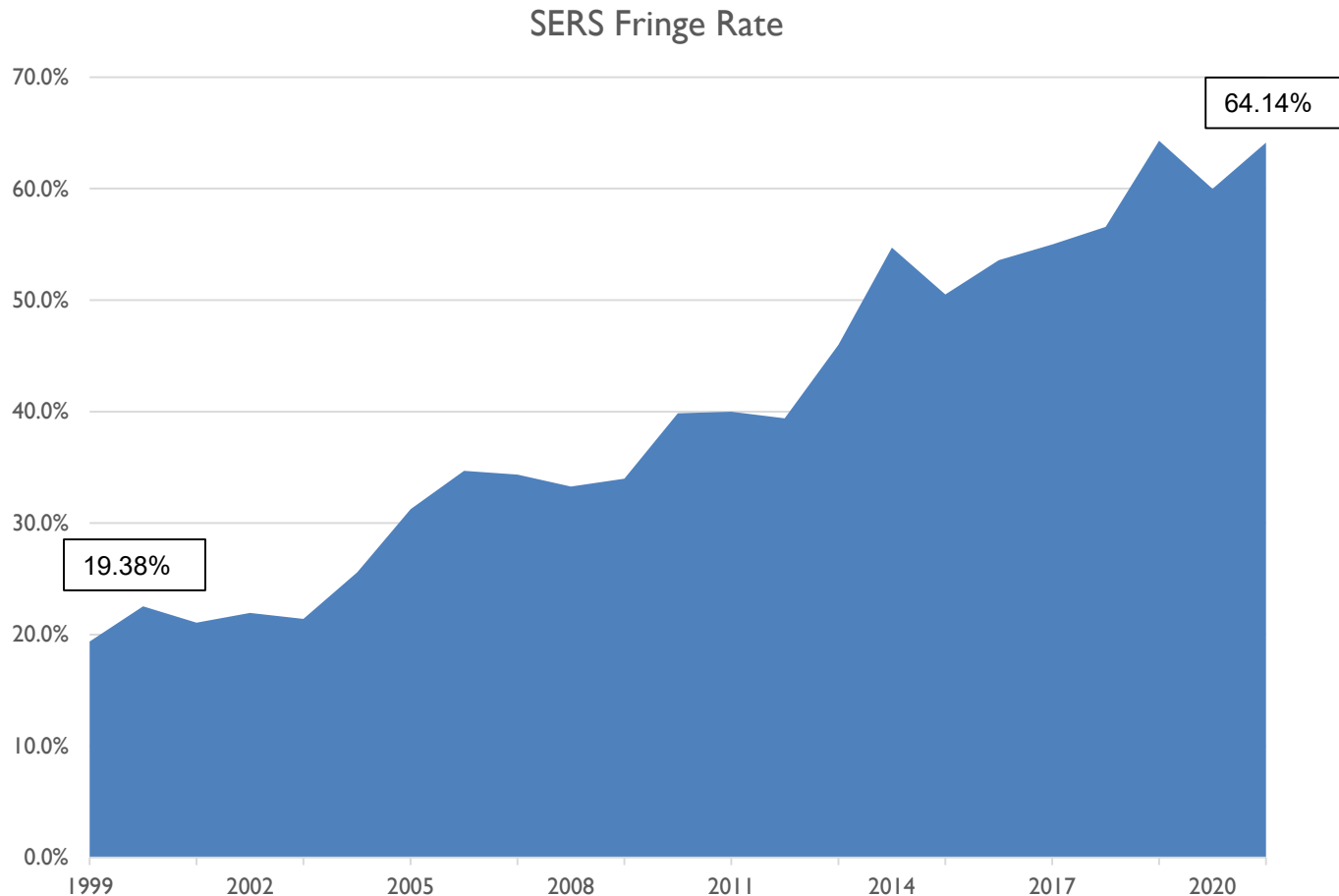
\*Rates vary according to coverage selected

Unfunded Pension Liability	39.58%
Retiree Health	21.02%
Roll-forward/Adjustments	-3.94
Normal/Current Retire. Costs	4.58%
Other Post Employ. Benefit Costs (OPEB)	2.49%
Administrative Costs	.41%
	<b>64.14%</b>

\*\*Other retirement options are available for non-classified employees (Alternate Retirement Plan (ARP) Rate at 14.82%). About 35% of our current employees are on the ARP and 65% are on the SERS State plan.

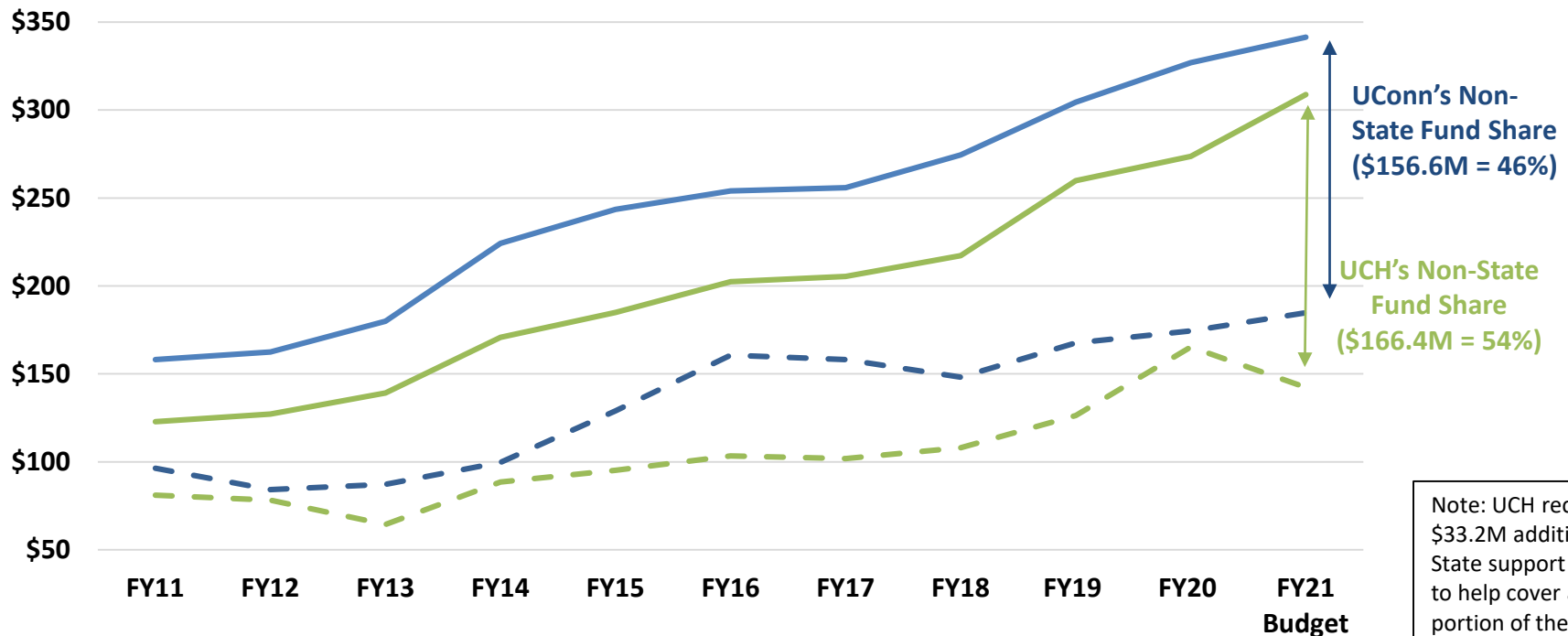
# Fringe Benefit Rate Components - SERS

The SERS fringe rate has risen dramatically over the last 20 years, with large increases in FY14, FY19.



# Fringe Costs are Rising

Total fringe costs, primarily due to the state's unfunded legacy pension liabilities and healthcare costs, have risen drastically over the last 10 years. While the State reimburses UConn & UCH for some of these costs, a significant amount must be covered by tuition, clinical revenues, grant funds and other UConn/UCH non-state funds.



Note: UCH received \$33.2M additional State support in FY20 to help cover a portion of the unfunded pension liability and retiree health costs.

# FY20 – FY23 SERS Unfunded Legacy Costs

The portion of the fringe costs associated with the State's unfunded pension liabilities are significant. While the State reimburses UConn/UCH for some of those costs, UConn's other non-State funds still pay a large share of that liability, plus retiree health costs, for a **combined total of \$88M in FY21**.

Projected Unfunded Legacy Costs / SERS Pension and Retiree Health (\$M)				
UConn - Storrs & Regionals				
Fund Type	FY20 Actuals	FY21	FY22	FY23
Tuition/Fees/Other*	\$31.4	\$27.4	\$29.3	\$31.3
Research	\$6.8	\$7.1	\$7.5	\$7.7
<b>Non-State Funds/Liability</b>	<b>\$38.2</b>	<b>\$34.5</b>	<b>\$36.7</b>	<b>\$38.9</b>
UConn Health***				
Fund Type	FY20 Actuals	FY21	FY22	FY23
Clinical	\$20.5	\$29.8	\$32.9	\$34.0
SOM/SODM Academic Units**	\$23.4	\$15.9	\$16.6	\$17.2
Research Fund	\$7.6	\$8.1	\$9.2	\$9.5
<b>Initial Non-State Funds/Liability</b>	<b>\$51.6</b>	<b>\$53.8</b>	<b>\$58.7</b>	<b>\$60.7</b>
Additional State support for legacy costs	\$33.2			
<b>Final Non-State Funds/Liability</b>	<b>\$18.4</b>	<b>\$53.8</b>	<b>\$58.7</b>	<b>\$60.7</b>
<b>Non-State Funds/Liability Combined UConn/UCH</b>	<b>\$56.6</b>	<b>\$88.3</b>	<b>\$95.4</b>	<b>\$99.7</b>

The unfunded legacy costs are UConn's best estimate at this time.

Amounts could materially change when the actual rates are published by the Comptroller.

\*Other includes outside educational revenue, indirect cost return from grants, etc.

\*\*Includes tuition, contracts, interns, residents etc.

\*\*\*The legislature approved \$33.2M in funding to UConn Health in FY20 to address a portion of the state's unfunded legacy costs charged to it. In FY21, the state's unfunded legacy costs are expected to reach \$53.8M toward that cost.

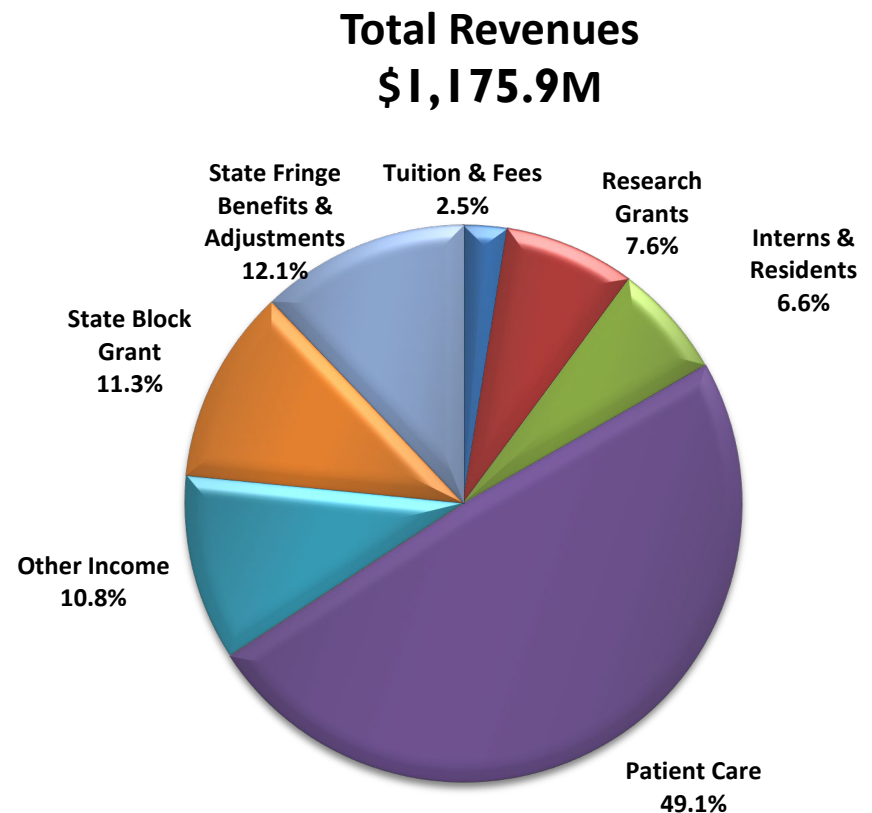
# UConn Health – FY21 Revenues by Category

UConn Health's greatest revenue source is Patient Revenue, covering >49%. State support (Block Grant and In-kind Fringe) covers 23% of total revenues.

The Block Grant is used only for salaries of UConn Health employees - it (and the associated fringe benefit reimbursement received) only covers about 40% of our employees.

Revenue (\$M)	
State Block Grant	132.9
State Fringe Benefits & Adjustments	142.4
Total State Support	<b>\$ 275.3</b>
Tuition & Fees	29.7
Research Grants	89.4
Interns & Residents	77.7
Patient Care	576.9
Other Income*	126.8
<b>Total Revenues</b>	<b>\$ 1,175.9</b>

\* Other Income includes auxiliary services, gifts/endowments, external contract revenue and internal income (offset by internal expense)

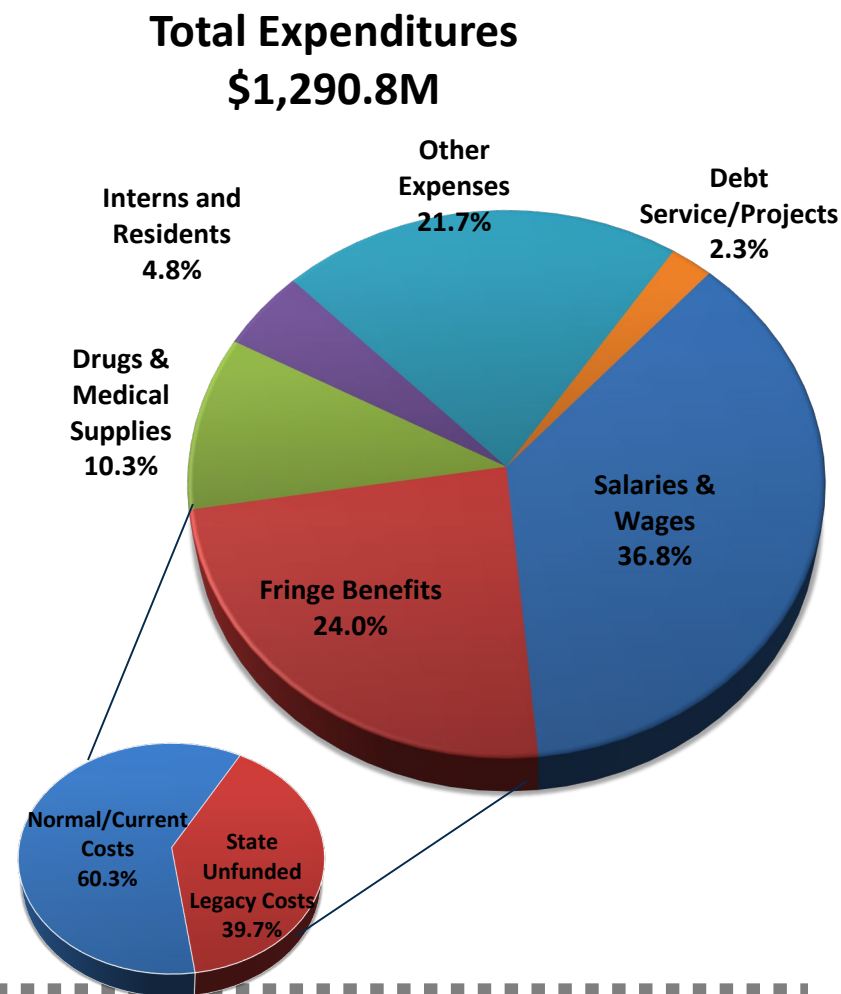


# UConn Health – FY21 Expenditures by Category

61% of UConn Health expenses are for employee salary and fringe costs.

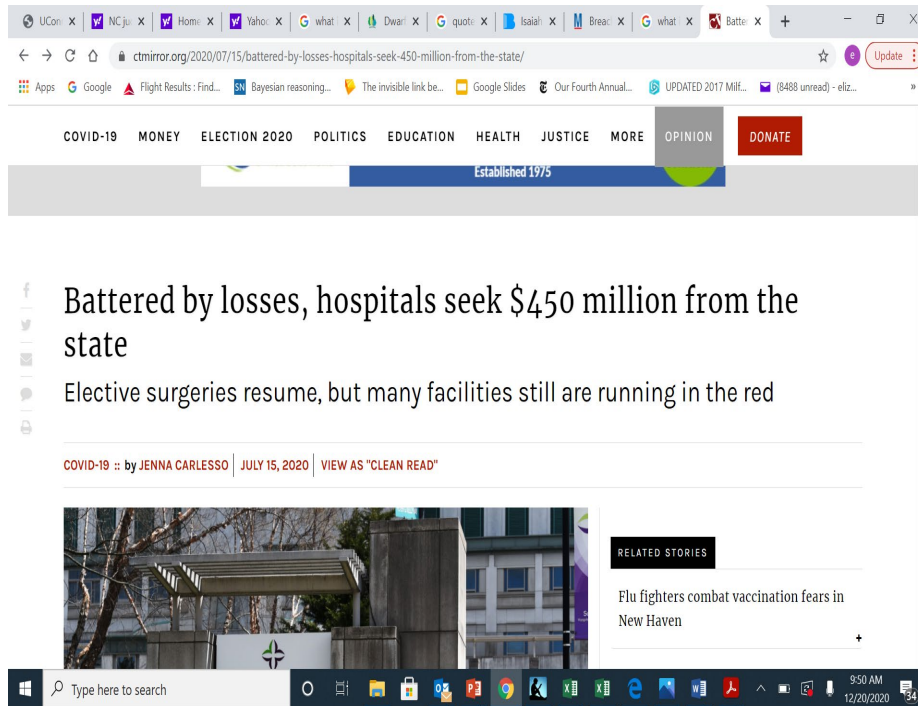
Expenditures (\$M)	
Salaries & Wages	475.3
Fringe Benefits	309.9
Drugs & Medical Supplies	133.4
Interns and Residents	61.8
Other Expenses*	280.3
Debt Service/Projects	30.0
<b>Total Expenditures</b>	<b>\$ 1,290.8</b>

\*Other Expenses includes items such as Medical Contractual Support, Utilities, Insurance and Repairs/Maintenance



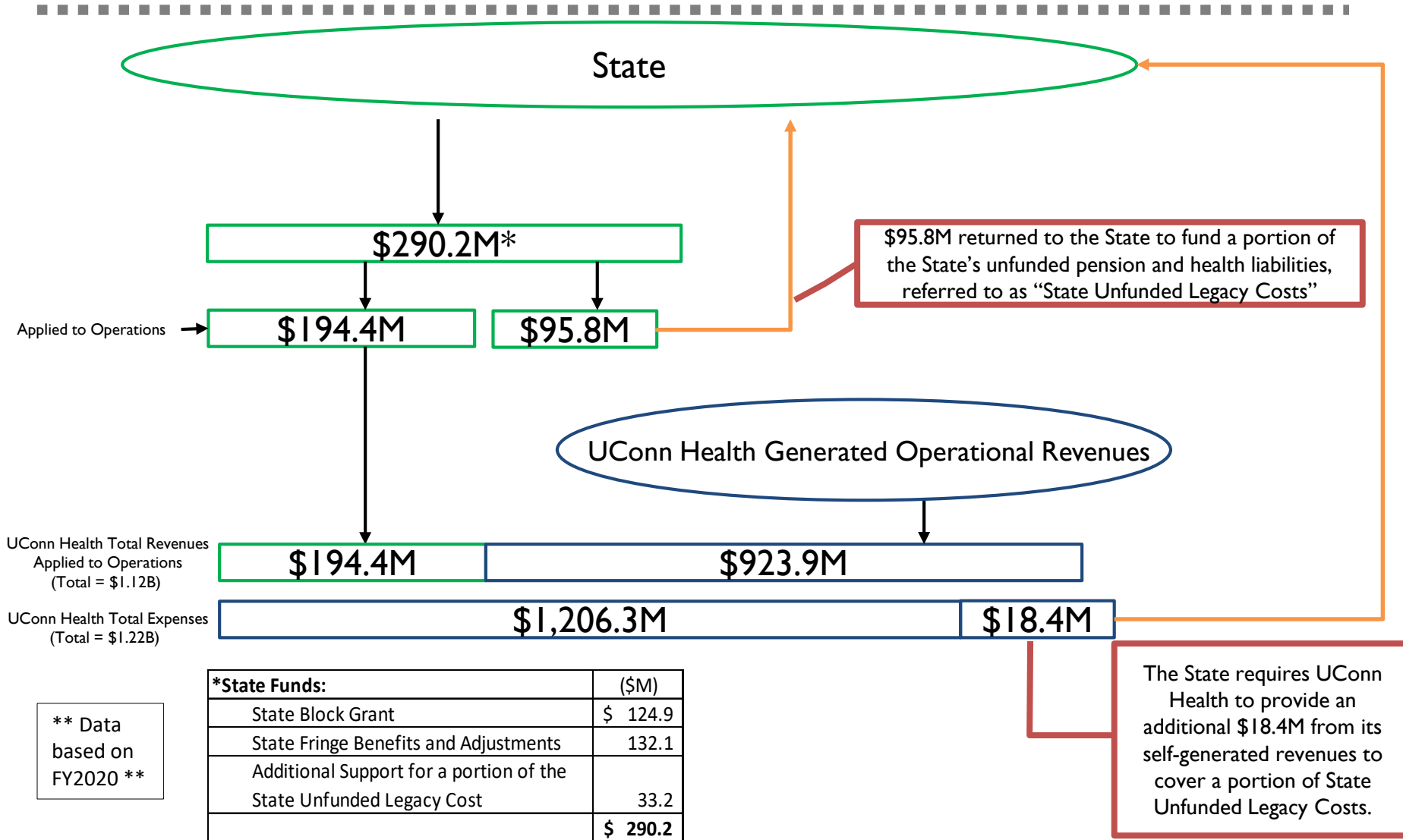


# UConn Health's Current State Request for FY 20 and FY 21: (\$53.8M legacy costs + \$18.9M COVID-related deficit = Total of \$72.7M)

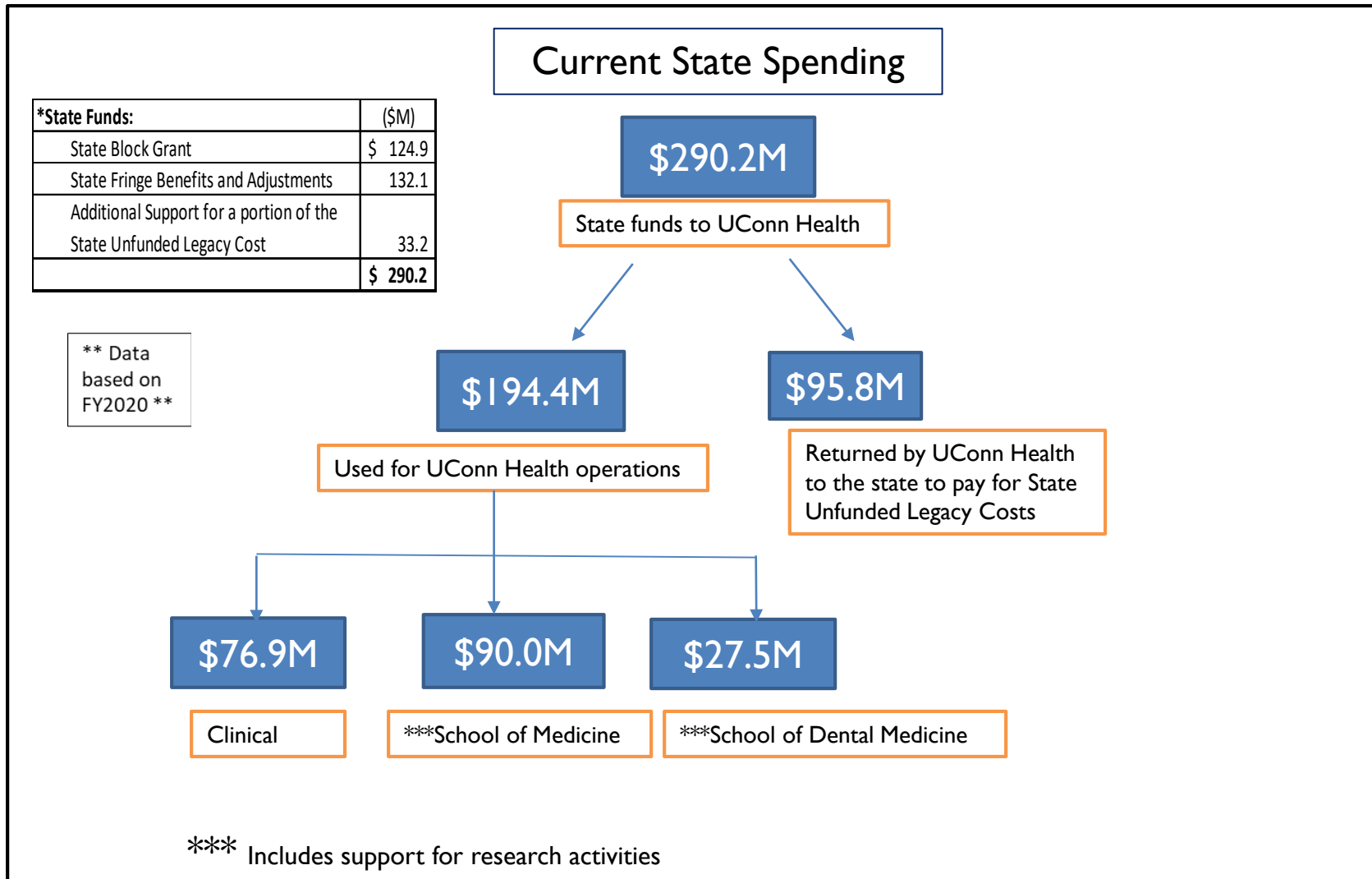


	FY 21 Year End Forecast
	(in Millions)
Unfunded Legacy Costs	(53.8)
COVID-19 Related Losses	(61.1)
Deficit	(114.9)
<u>Mitigation plans:</u>	
Capital deferral	4.9
Financial Improvement Plan (FIP)	45.0
Furlough - management	1.2
Federal Funds	10.0
	61.1
<b>FY 21 Deficiency</b>	<b>(53.8)</b>
<i>Unfunded Legacy Cost Support*</i>	(53.8)
<b>FY 20 Deficiency</b>	<b>(18.9)</b>
<i>COVID Losses</i>	(18.9)
<b>State Request</b>	<b>(72.7)</b>
* The legislature approved \$33.2 million in funding to UConn Health in FY20 to address a portion of the state's unfunded legacy costs charged to UConn Health. In FY21, the state's unfunded legacy costs are expected to reach \$53.8 million.	

# How State Funds Flow to UConn Health



# State Funds



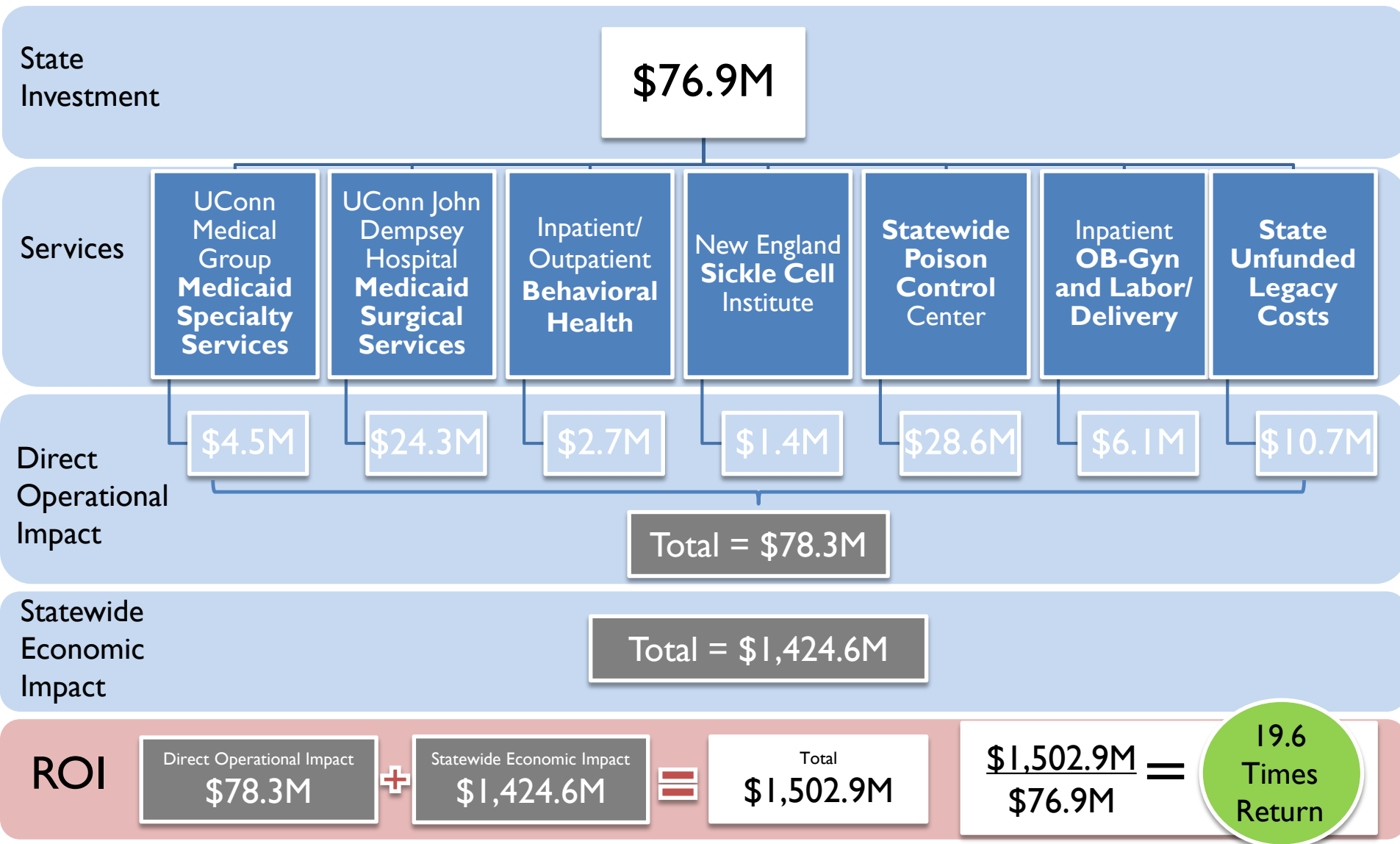
# State Request

UConn Health Request	FY20	FY21	FY22	FY23
COVID Revenue Losses/Deficiency	18.9			
Unfunded Legacy Cost		53.8	58.7	60.7
Appropriation (Oper Exp, AHEC and Bioscience)	127.6	135.8	133.7	138.9
Totals	<b>146.5</b>	<b>189.6</b>	<b>192.4</b>	<b>199.6</b>
Governor's Budget Proposal				
COVID Revenue Losses/Deficiency	18.9			
Unfunded Legacy Cost	-	31.1	40.0	-
Appropriation (Oper Exp, AHEC and Bioscience)	127.6	135.8	133.7	133.8
Totals	<b>146.5</b>	<b>166.9</b>	<b>173.7</b>	<b>133.8</b>
Shortfall from UConn Health request vs Governor's proposal				
COVID Revenue Losses/Deficiency	-	-	-	-
Unfunded Legacy Cost	-	(22.7)	(18.7)	(60.7)
Appropriation (Oper Exp, AHEC and Bioscience) - related to 27th Payroll	-	-	-	(5.1)
Total	<b>-</b>	<b>(22.7)</b>	<b>(18.7)</b>	<b>(65.8)</b>
In-kind Fringe related to 27th Payroll	-	-	-	(4.7)
Total Remaining Request	<b>-</b>	<b>(22.7)</b>	<b>(18.7)</b>	<b>(70.5)</b>

- The Legislature approved \$33.2 million in funding to UConn Health in FY20 to address a portion of the state's unfunded legacy costs charged to UConn Health. In FY21, the state's unfunded legacy costs are expected to reach \$53.8 million.
- FY21 includes an increase of \$50M (reflected in the Deficiency bill). The above chart allocates \$18.9M for FY20 for COVID clinical revenue losses and \$31.1M to FY21 for the unfunded legacy costs.
- In FY22, the Governor's budget proposal includes \$40M for temporary operating support. The above chart allocates the \$40M to the Unfunded Legacy costs. The request for unfunded legacy costs is \$58.7M in FY22 and \$60.7M in FY23. The above amounts have been updated to best estimates at this time. Amounts could materially change when the actual rates are published by the Comptroller.

# Clinical Service ROI

## \$76.9M State Investment Produces 19.6 Times Return



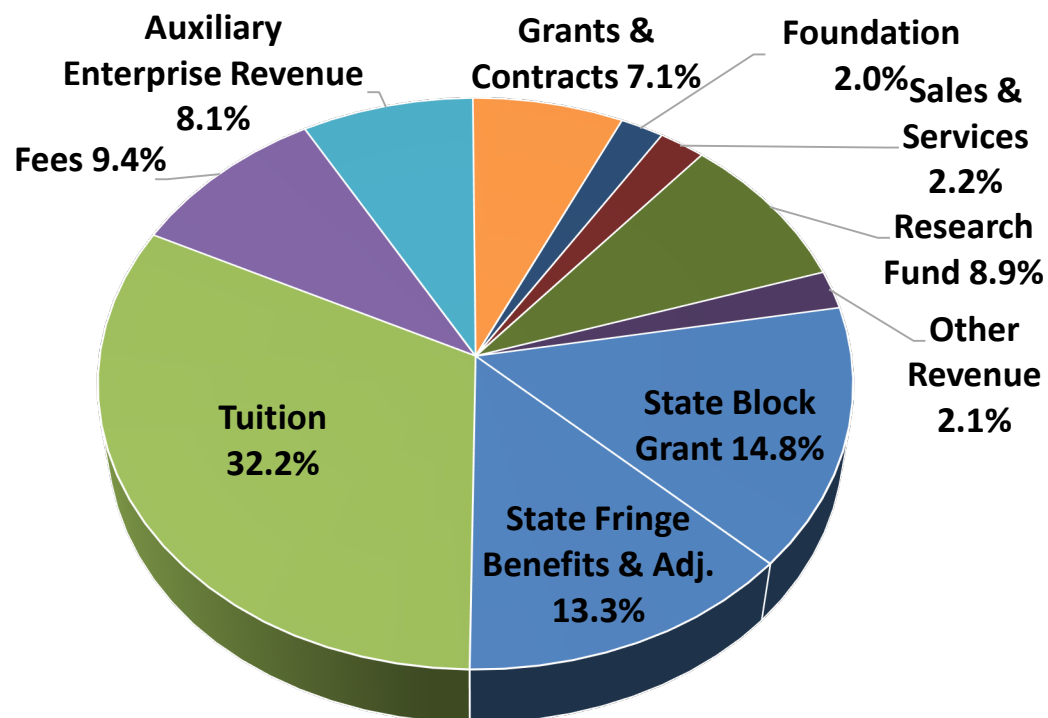
# UConn – FY21 Revenues by Category

The University relies more on tuition than any other revenue source at 32%. State support in the form of the block grant is only 14.8% of total revenues, and when combined with the State fringe reimbursement, only accounts for 28% from the State.

## FY21 Budget

### Revenues (\$M)

State Block Grant	208.8
Fringe Benefits & Adjustments	187.8
Total State Support	\$ 396.5
Tuition	454.8
Fees	133.6
Grants & Contracts	100.5
Foundation/Endowment	28.9
Sales & Services	30.9
Auxiliary Enterprise Revenue	114.4
Other Revenue	30.4
<b>Total Operating Fund</b>	<b>\$ 1290.1</b>
Research Fund	124.3
<b>Total Revenues</b>	<b>\$ 1414.4</b>



# UConn – FY21 Expenditures by Category

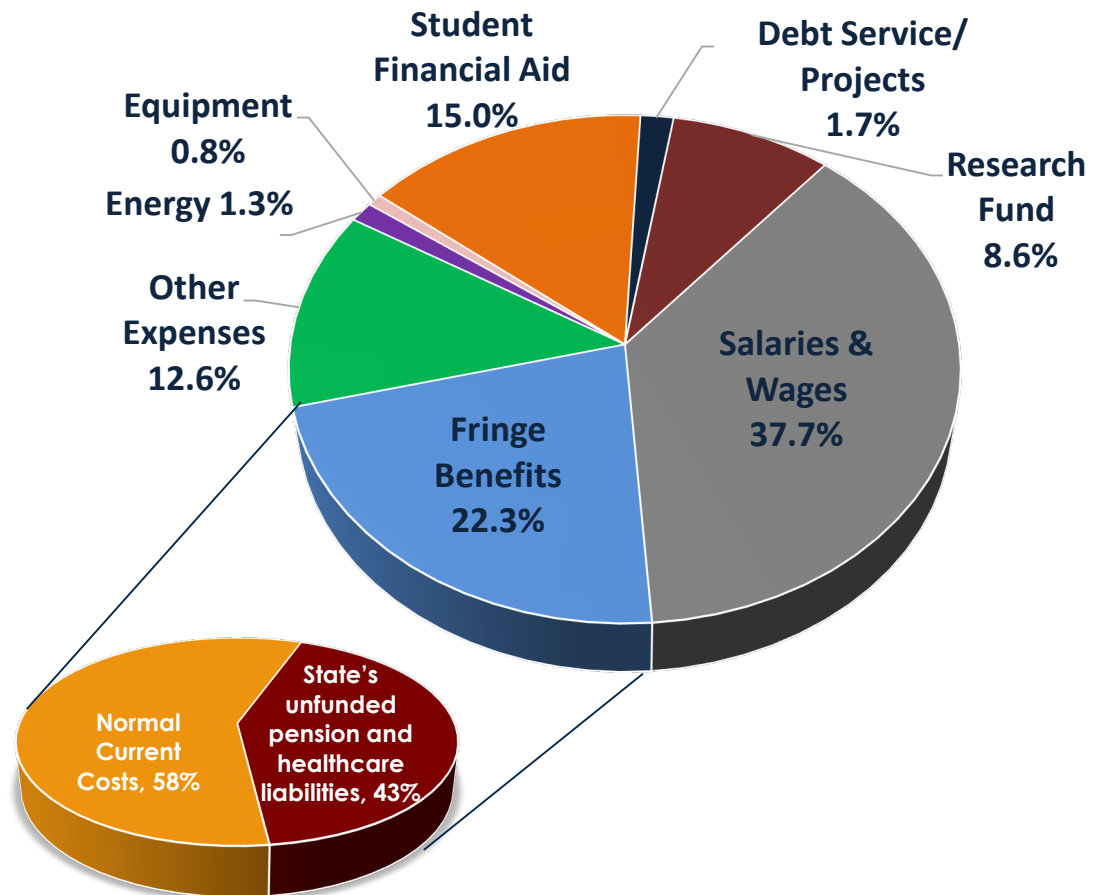
**Salary and fringe benefit costs are growing at a significant pace and account for about 60% of the University's operating budget**

## FY21 Budget

### Expenditures (\$M)

Salaries & Wages	\$	543.9
Fringe Benefits		320.8
Equipment		11.3
Energy		18.7
Other Expenses		182.2
Student Financial Aid		216.6
Debt Service/Projects		25.2
<b>Total Operating Fund</b>	<b>\$</b>	<b>1318.6</b>
Research Fund		123.3
<b>Total Expenditures</b>	<b>\$</b>	<b>1441.9</b>

Other Expenses includes dining services food and labor, lab supplies, janitorial services, facilities contracts, dues and memberships, travel, etc.



# FY21 Budget Tracker – Mitigation

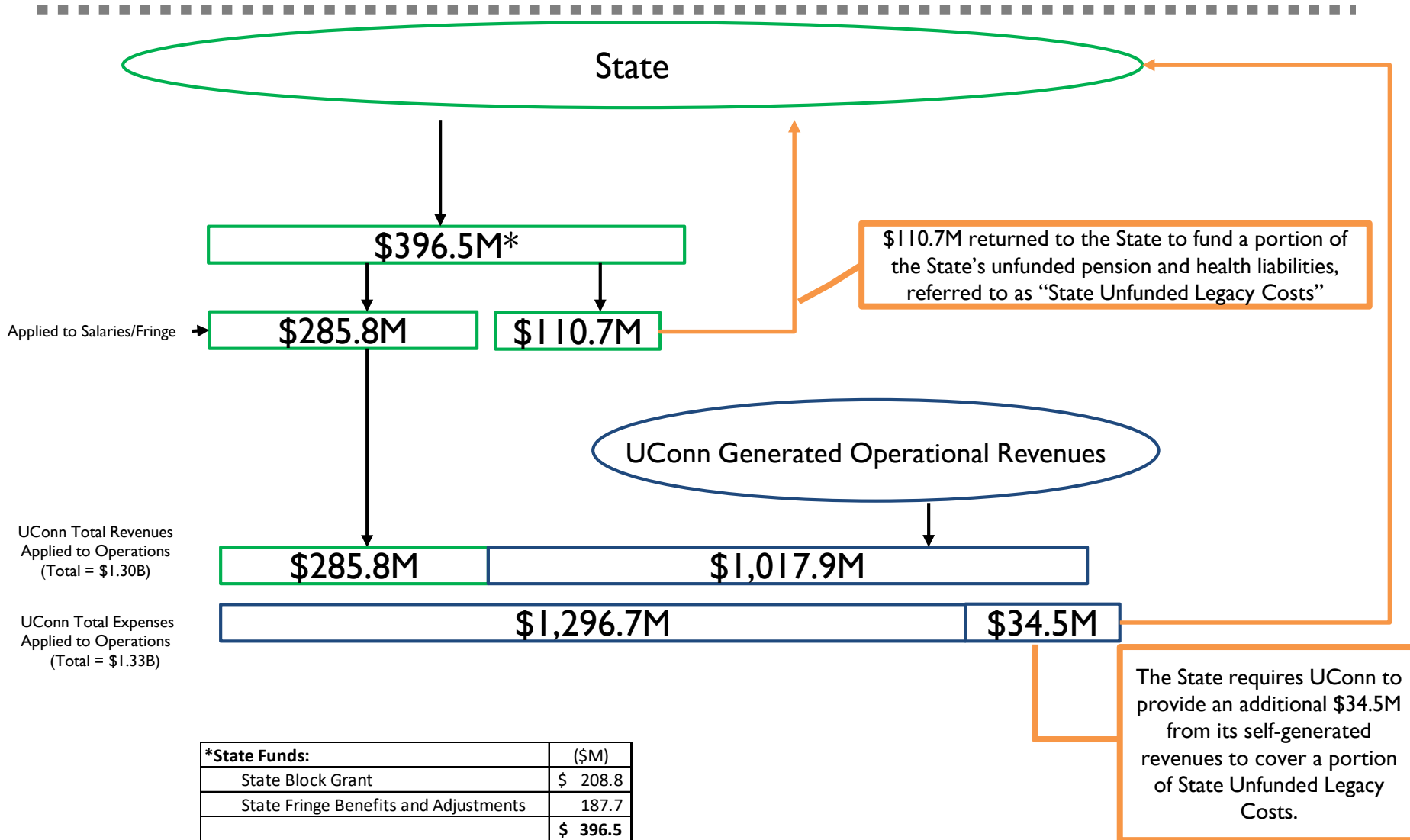
Of a \$76M projected deficit, \$48M in mitigation has been realized, \$20M was received from the State via the Coronavirus Relief Fund and \$8M was received in additional federal relief, bringing the deficit to \$0.

	<b>Current Estimate</b>
State Block Grant lapse/cut (incl fringe)	(4,643,460)
Net Loss of housing/dining/other fees	(66,893,629)
Net program revenues/expenses	(3,984,121)
<b>Deficit</b>	<b>(75,521,210)</b>
<b>Mitigation plans identified</b>	
Departmental expense savings	24,100,000
Capital reallocation	9,000,000
University-wide program cuts	13,000,000
Furlough - management	1,900,000
	<b>48,000,000</b>
State Request / Deficit*	<b>(27,521,210)</b>
Coronavirus Relief Fund (CRF) from OPM	20,000,000
Estimated Additional Federal Relief Funding (CRRSA)	7,521,210
<b>Remaining Deficit</b>	<b>\$0</b>

\*If this were to include the State unfunded legacy costs at \$34.5M, the request would total \$62M



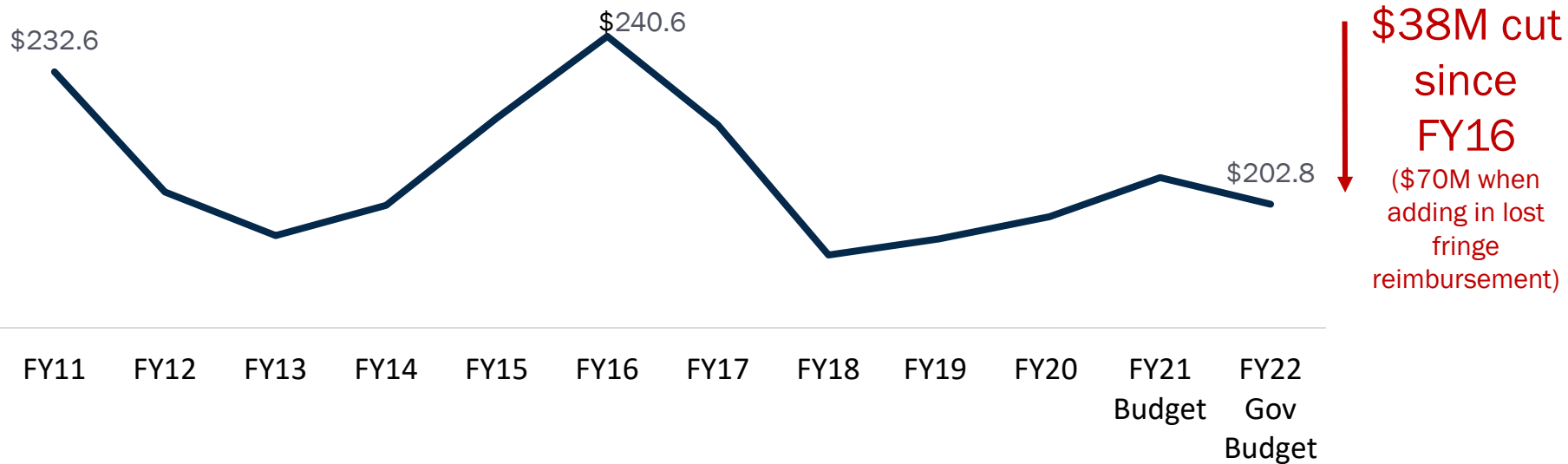
# How State Funds Flow to UConn



# State Block Grant - Allotment

The State Block Grant is only used for salaries of University employees and only covers 47% of our employees

- Since FY10, the State Block Grant has averaged ~\$212M per year.
- The remaining **53% of employees are funded by non-State revenue** sources including tuition and fees, auxiliary enterprises, research, grants and contracts, Foundation, and sales and services



# State Support FY21-FY23

Requests for FY22 and FY23 include additional support for annualized FY21 collective bargaining increases, new building operations, and a 27<sup>th</sup> payroll.

The Governor's proposed budget leaves us short by \$14.3M in FY22 and \$23.6M in FY23, before adding on our additional need for unfunded legacy cost support.

UConn Storrs & Regionals Request	FY20	FY21	FY22	FY23
Unfunded Legacy Cost	38.2	34.5	36.7	38.9
Appropriation (Operating Exp)	197.1	206.5	210.3	220.1
Totals	235.3	241.0	247.0	259.0
Governor's Budget Proposal				
Unfunded Legacy Cost				
Appropriation (Operating Exp)	197.1	206.5	202.8	207.8
Totals	197.1	206.5	202.8	207.8
Shortfall from request vs Governor's proposal				
Appropriation (Operating Exp)			(7.5)	(12.3)
Equivalent Fringe Reimbursement			(6.8)	(11.3)
Totals			(14.3)	(23.6)
Unfunded Legacy Cost			(36.7)	(38.9)
Total Remaining Request	-	-	(51.0)	(62.5)

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# Appendix

# Impact of High Fringe Rates on Research

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**UConn's high fringe rates negatively effect our ability to recruit and retain researchers and grow research.**

- UConn's high fringe rates have been noted by grant reviewers
- Grants are not pursued because our high fringe cost make the budget unworkable
- Portions of projects are being outsourced because of the high cost of research
- High rates are driving decisions by several well-funded faculty to leave UConn for positions at other institutions (with lower fringe rates), taking grant dollars with them.

# Fringe Rate Comparison

High fringe rates are impacting UConn's competitiveness for research grants.

	Faculty rate	Professional rate
<b>UConn</b>	<b>61%*</b>	<b>68%*</b>
Georgia	43	43
Michigan State	40	40
Illinois	47	47
Rutgers	46	46
Penn State	35	35
<b>Average of Peer Institutions</b>	<b>34</b>	<b>39</b>
Wisconsin	35	35
Texas	30	30
Maryland	29	35

\* To mitigate the impact of the State's unfunded legacy costs, the University is temporarily subsidizing fringe benefit rates to allow researchers to be more competitive by reducing the full rate to 43% for faculty and professional staff. The University is still required to pay the full rate to the State Comptroller.

# Comparison of Research Fringe Rates

In FY21, UConn Storrs was 27.0% points above its peers in the faculty rate and UCH was 13.6% points higher in the professional rate.

\* To mitigate the impact of the State's unfunded legacy costs, the University is temporarily subsidizing fringe benefit rates to allow researchers to be more competitive by reducing the full rate to 43% for faculty and professional staff. The University is still required to pay the full rate to the State Comptroller.

	Faculty	Professional	Special Payroll
UConn (Storrs & Regionals)	60.7%*	67.7%*	27.5%
UConn Health	47.3%*	76.8%*	15.0%
<b>Peer Institutions:</b>			
Michigan State University	40.1	40.1	7.7
University of Georgia	43.0	43.0	26.0
Indiana University	39.1	39.1	27.4
University of Delaware	38.8	38.8	6.7
University of Utah	34.0	62.0	34.0/10.0
University of Kansas	37.0/43.0/9.0 <b>b</b>	37.0/43.0/9.0 <b>b</b>	15.0 <b>d</b>
Purdue University	22.6	33.1/28.4/54.0 <b>e</b>	4.0 <b>d</b>
University of Kentucky <b>a</b>	14.7	14.8	8.8 <b>d</b>
<b>Average of Peer Institutions</b>	<b>33.7%</b>	<b>38.5%</b>	<b>17.8%</b>

<b>Aspirant Institutions:</b>				<b>Other Institutions:</b>			
	Faculty	Professional	Special Payroll		Faculty	Professional	Special Payroll
Penn State University	34.9	34.9	12.4	University of Vermont	47.2	47.2	10.4
University of Illinois - UC	46.9	46.9	7.7 <b>d</b>	Rutgers State University	46.2	46.2	46.2
University of Wisconsin-Madison	35.0	35.0	16.2	University of New Hampshire	43.8	43.8	8.1
University of California - Davis	38.4	53.1	10.3	UCONN Health Center			
University of Florida	29.7	39.1	10.5/5.2 <b>c</b>	UMASS-Amherst	39.1	39.1	1.7
University of Maryland	29.3	35.4	8.4	Yale University	29.5	29.5	29.5
Ohio State - Main campus	23.4	31.5	13.9/11.5 <b>c</b>	Brown University	30.2	30.2	30.2
University of Texas - Austin <b>a</b>	30.1	30.1	5.7	New York University	42.0	42.0	15.5
<b>Average of Aspirant Institutions</b>	<b>33.5%</b>	<b>38.3%</b>	<b>13.5%</b>	Temple University	28.8	28.8	27.5 <b>d</b>
<b>a</b>	Does not include health insurance, which is charged at actual cost			MIT	26.7	26.7	8.6 <b>d</b>
<b>b</b>	Rate varies based on FTE (.9-1.0/.5-.89/.49 or less)			University of Rhode Island <b>a</b>	21.9	21.9	21.9
<b>c</b>	Separate rates for Faculty and Graduate summer salary			Harvard University	23.2	30.8	19.2 <b>d</b>
<b>d</b>	Graduate student rate; Faculty summer pay at regular faculty rate			University of Virginia	28.3	38.1	6.3
<b>e</b>	Rate varies depending on retirement plan			<b>Average of Other Institutions</b>	<b>33.9%</b>	<b>35.4%</b>	<b>18.8%</b>

# Impact of High Fringe Rates on Research

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**UConn's high fringe rates negatively affect our ability to grow research.**

- **UConn's high fringe rates have been noted by grant reviewers, impacting our competitiveness**

**Grant not funded; \$2.9M** (PIs: S. King, E. Eipper)

NIH R01 "*Peptide Amidation in Ciliogenesis*"

From a NIH grant proposal review:

"The budget is excessive for the experiments proposed. Reduce effort / salary for co-PI and technician by ½... Fringe for some positions (nearly 70% of salaries) seems inordinately high..."

- **Grants are not pursued because our high fringe cost make the budget unworkable**

**Grant not submitted; \$320K** (PI: K. Gans)

PI feedback regarding Robert Wood Johnson Foundation HER grant proposal:

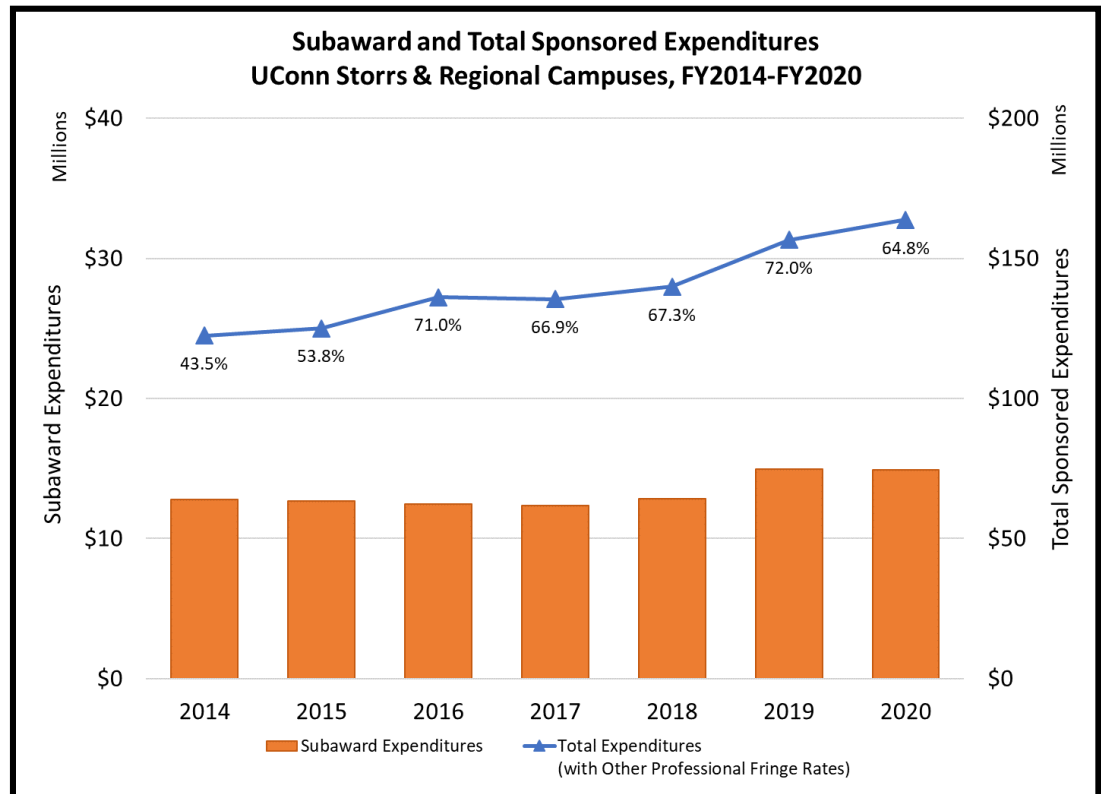
"After submitting a concept paper... I was invited to submit a full proposal (only 41 out of 250 submitted were chosen). I had planned to submit the full proposal (due October 2) but unfortunately, I cannot make the budget work with the high fringe rates that UConn currently has."



# Trend Towards Outsourcing Research

**Portions of projects are being outsourced because of the high cost of research at UConn.**

- After remaining flat in previous years, spending on Subawards from UConn to other entities grew by 17% from FY18 to FY19 and maintained that increase in FY20
- Two of our top grant funded investigators moved a large amount of their research to a non-UConn organization beginning in Spring 2019
  - This move shifted ~\$700K per year in expenditures from UConn to another organization



# Impact on Research Faculty Retention

Selection of research active faculty who have left UConn due in part to institutional barriers of doing research at UConn.

Former UConn/UConn Health Faculty	New Institution	Total Amount Transferred (Relinquished)	Active Federal Award Portfolio*
Ramamurthy Ramprasad	Georgia Institute of Technology	\$3,226,135	\$3,729,683
Mohammad Tehranipoor	University of Florida	\$3,019,165	\$6,125,019
Reinhard Laubenbacher	University of Florida	\$3,713,691	\$7,725,620
Fudong Liu	University of Texas Health Science Center	\$2,893,720	\$3,335,854
Doug Adams	University of Colorado	\$1,417,010	\$1,934,536
Peng Zhang	Stony Brook University	\$1,189,519	\$3,889,519
Kate Whitaker Tease	UMass-Amherst	\$1,091,289	\$762,679
Kyle Baumbauer	University of Kansas	\$583,579	\$424,669
Lauren Sansing	Yale University	\$582,140	\$5,468,415

\* *Source:* Active federal award portfolio includes awards active in FY2019-FY2020 from Academic Analytics, which obtains lists of grants from thirteen federal agencies (including all DHHS, NSF, EPA, and US ED; only select divisions are included for USDA, DOC, DOE, DOD, and others) via online search engines and through Freedom of Information Act (FOIA) requests.

# Clinical Service ROI

## \$76.9M State Investment Produces 19.6 Times Return

( $\$1,502.9\text{M} \div \$76.9\text{M (State Investment)} = 19.6$ )

### State investment of \$76.9M provides:

UConn Medical Group <b>Medicaid Specialty Services</b>	UCH currently provides 114,700 office visits per year to Medicaid patients. To maintain timely access for this patient population, private providers would likely require rate increases closer to Medicare reimbursement rates. Approximately \$39 per visit would cost the State an additional \$4.5 million.	\$4.5M
UConn John Dempsey Hospital <b>Medicaid Surgical Services</b>	UCH currently provides over 6,800 surgical procedures per year to Medicaid patients. To maintain timely access for this patient population, private providers would likely require rate increases. Using all payers a blended rate increase of \$3,573 for inpatient and outpatient cases would cost the State an additional \$24.3 million.	\$24.3M
Inpatient/Outpatient <b>Behavioral Health</b>	UCH currently provides 8,300 behavioral health visits per year to Medicaid patients. To maintain access for this patient population, an estimated rate increase to move toward Medicare rates would be needed. All for inpatient and outpatient current services would cost \$2.7 million.	\$2.7M
New England <b>Sickle Cell</b> Institute	UCH currently provides 1,300 office visits per year to patients with sickle cell disease. Hartford area hospitals could see an increase in Medicaid patient ED visits and could cost the State an additional \$1.4 million.	\$1.4M
<b>Statewide Poison Control</b> Center	30,000 calls a year generated healthcare savings by avoiding unnecessary emergency department visits = \$28.6 million	\$28.6M
Inpatient <b>OB-Gyn and Labor/Delivery</b>	UCH currently provides 624 inpatient visits per year to Medicaid patients. To maintain access for this patient population, an estimated rate increase to move toward commercial rates would be needed. This would cost the State an additional \$6.1 million.	\$6.1M
<b>State Unfunded Legacy</b> <b>Costs</b>	Amount of UCH self-generated revenue that is sent to the State to cover State Unfunded Legacy Costs.	\$10.7M
<b>TOTAL</b>	<b>DIRECT OPERATIONAL IMPACT</b>	<b>\$78.3M</b>
<b>TOTAL</b>	<b>STATEWIDE ECONOMIC IMPACT</b>	<b>\$1,424.6M</b>
<b>Return on Investment</b>	<div> <div>(Direct Operational Impact of \$73.8M + Statewide Economic Impact of \$1,424.6M)</div> <div>State Investment of \$76.9M</div> <div>= 19.6 Times Return</div> </div>	