Minutes of a meeting of the University Senate
October 9, 2006

1. Moderator Murphy officially called the regular meeting of the University Senate of October 9, 2006 to order at 4:05 p.m. in Room 7 of the Bishop Center.

2. Approval of Minutes

   Senator Murphy presented the minutes from the regular meeting of September 11, 2006 for review.

   The minutes were approved without modification.

3. Report of the President

   President Austin reported on his recent meetings with the leadership of the Connecticut Legislature concerning the University's request for 150 new faculty positions and improvements at the Health Center. He reported that no substantive change has been made in the proposal.

   President Austin announced that the University's proposed association with Dubai government is progressing cautiously and carefully. UConn has been invited to participate in an 18 month planning exercise. Citing the politically charged atmosphere, President Austin asked the legislative leadership for guidance and received advice to continue. The Board of Trustees has also given a green light. This does not mean there will be a "UConn Dubai" but we will proceed to evaluate the possibilities. Several Deans have expressed interest in moving forward with the project, including those in the College of Liberal Arts and Sciences, the School of Business, the School of Engineering, and Neag School of Education.

4. Senator DeWolf presented the report of the Senate Executive Committee.

   (See Attachment #8)

5. Verbal Report of the Building and Grounds Committee.

   Barry Feldman, Interim Vice President and Chief Operating Officer, presented a verbal report of the recent activities of the Buildings and Grounds Committee. He placed the charge of Building and Grounds Committee in context, explaining that the committee plans and prioritizes the spending of UConn 2000 Funds, including the planning for Phase Three of Twenty First Century UConn, which includes the deferred maintenance portion of the program, some $237M. It also includes the replacement for the Arjona and Monteith classroom buildings. Vice President Feldman reported the committee's progress on that project. The site has been designated as the site of the former Co-op building, beside the Psychology Building and across from the Babbage Library. This is to be an estimated $86 million building, comprising some 186,000 square feet. There is considerable planning work yet to be done, including siting the building properly. The placement of the building must consider the needs of delivery and vehicular traffic as well as pedestrian traffic and must allow continued access to the Babbage Library. A further important consideration is the funding Phase three has set aside to expand the Psychology Building. The Buildings and Grounds Committee will shoulder the responsibility for these decisions. He estimated that 14 to16 months of work will be required for further planning. Construction should be begun by the end of 2008/early 2009. The building will take approximately 24 months to construct. The opening of the new building is planned for mid-fiscal year 2010.

Another large feature of the ongoing UConn 2000 project is the new Student Quadrangle. The committee is preparing specifications now to coincide with the demolition of the Pharmacy Building in early 2007. Early planning with a landscape architect has begun.

The landfill remediation is ongoing and is about one-third finished. Other smaller projects are in progress as well, including the Torrey Life Science Building project and improvements to the entire Math and Science "neighborhood."

6. Annual Report of the Vice President and Chief Financial Officer on Budget

(See Attachment #9)

A report was presented by Chief Financial Officer Bruce DeTora concerning the University Budget. B. DeTora directed the attention of the Senate to the web page of the Financial Planning and Budget Department that presents in detail the entire budget report delivered to the Board of Trustees. The predicted budget shortfall of $8.0M for Storrs programs for FY 06 did not fully materialize. Instead our loss was about $1.0M. Several factors contributed to this result. First, the interest rate changed from 3% to 5%, providing an increase in investment income. Second, the Legislature made good on a promise to reimburse the University for retirement costs incurred due to the recent early retirement program. These increases in income were offset by increases in personal services costs due to increases in faculty and staff numbers. All in all, though, the University ended the fiscal year on a positive budgetary note.

A continuing concern is that there is no undesignated, central reserve fund. While on paper the University of Connecticut appears to carry a sufficient reserve, B. DeTora explained that this reserve includes almost entirely funds whose expenditure has been previously designated. While the fund balances do constitute a kind of reserve, it is not the undesignated, unrestricted sort of reserve that would be desirable as a cushion against unexpected expense. The University's entire budgetary position is bolstered by the fact that the university does budget conservatively concerning debt service.

FY 07's budget was submitted in June and updated in September. In terms of State support, the university is within $500,000 of the requested current services. This is as close as UConn has come to full funding for current services funding in recent years. In addition, the Legislature provided an additional $4.0M for new initiatives.

This year's budget will be affected positively by several factors, including declines in energy costs. The enrollments that materialized this fall are close to what was predicted in the budget planning. B. DeTora reported it is too early to tell with precision were we are vis-à-vis the FY 07 budget, but there is no reason at this point to believe there will be difficulty.

B. Detora presented a summary of budget planning for FY 08. The current services budget request was presented, but a caution was delivered that the figures do not represent pending collective bargaining agreements as major collective bargaining negotiations are currently in progress. The university is developing the "above current services" request. One of these requests is for additional faculty to be supported by the state. UConn will request an increase in faculty of 175 positions to address issues of student/faculty ratio. There is also a request for 71 new support staff to complement the new faculty positions. Senator Schaefer inquired about the continuation of the faculty in residence program. The three-year plan is ending and he asked about the future of the program. B. DeTora stated those funds are allocated to the Provost where the decision concerning the program will ultimately will be made. Vice Provost Makowsky stated that the Provost's Office plans to continue the program. President Austin affirmed the efficacy of the program, reinforcing the idea that tenure track and adjunct lines are the best route for the Storrs campus, but that the in residence title continues to be vital at the Health Center.

7. The report of the Scholastic Standards Committee

(See Attachment #10)

Senator Moiseff presented a motion from the Scholastic Standards Committee concerning class attendance. The motion proposes to revise the By-Laws, Rules, and Regulations of the University of Connecticut, II.E.11. to read as follows:

> E. Scholastic Standing
> 11. Class Attendance
> Students are expected to attend classes for which they are registered. Instructors may establish attendance criteria and may consider these criteria when determining a student's grade. Instructors are expected to inform students of the criteria and how they will be factored into students' grades. The Instructor of record is given full and final authority (except in the case of final examinations) to decide whether or not a student is permitted to make up work missed by absence and on what terms. Instructors are urged to accommodate student requests to complete work missed by absence due to reasonable extenuating circumstances, or extra curricular/co-curricular activities performed in the interest of the University and/or supporting the scholarly development of the student, when such accommodations would not dilute or preclude the requirements or learning outcomes for the course. Examples of such activities include participation in scholarly presentations, performing arts, and intercollegiate athletics, when the participation is at the request of, or coordinated by, a University official. Students involved in such activities should inform their instructor in writing prior to the anticipated absence and take the initiative to make up missed work in a timely fashion.
>
> If a student does not attend any of the classes or laboratories of a course during the first two weeks of the semester and does not notify the Department of Student Affairs of the reasons for his or her absence, the instructor may assign his or her seat to another student. Such non- attendees may, after the second week, request to continue in the course on the same basis as a student not registered for the course. If space is not available for such a non-attendee, the student must drop the course by the regular procedure or run the risk of being assigned a failing grade (See II.B.10, paragraph 7).

Senator Reis presented an amendment to modify the motion so that it read, in part:

> "Instructors are urged to accommodate student requests to complete work missed by absence due to *illness or family emergency or other reasonable extenuating circumstances,* or extra curricular/co-curricular activities. . . ."

A voice vote was followed by a call for "division" and a vote was tallied by raised hand.

The amendment was defeated by a vote of 24 yea to 34 nay.

The discussion of the main motion continued.

Senator Gine-Masdeu moved that the sentence beginning "Examples of such activities. . ." be struck, seconded by Senator Schultz.

During discussion a clarification was offered: the addition of a new phrase so that the motion read, in part:

> "Students involved in such extracurricular or co-curricular activities should inform their instructor in writing prior to the anticipated absence. . ."

Moderator Murphy put the Gine-Masdeu amendment to a vote.

The Gine-Masdeu amendment failed.

Moderator Murphy put the clarified amendment to a vote.

The clarified motion to amend failed.

Senator Darre moved that the motion be referred back to committee for reconsideration and rewording in a more concise fashion. Several Senators requested that this motion be reviewed by both Scholastic Standards and Student Welfare.

The motion to return to committee carried.

8. Senator Jeffers presented the Report of the Curricula and Courses Committee

(See Attachment #11)

I. Special Topics Course topic approval - the Committee recommends approval of the following course topic for spring 2007:

A. OPIM 195 Special Topics
Topic: Management Information Systems in Business: A Hands-on Approach

The motion carried.

II. Courses Open to sophomores
For the information of the Senate, the Committee reports the following courses have been approved as open to sophomores:

A. HIST/ LAMS 233W History of Migration in Las Americas - open to sophomores

For the information of the Senate, the Committee reports the following course has been dropped as open to sophomores

A. MATH 214 Introduction to Discrete Systems - drop open to sophomores so that course may be dropped.

III. Course with C to be dropped
The Committee recommends that the following C designated course be dropped:

A. NRME 251C Computer Utilizations in AGNR - drop C so that course may be dropped. Course has not been offered for a number of years.

The motion carried.

IV. New Course Numbering
The Committee has reviewed the renumbering of Animal Science courses for the new system. These courses will now be 2xxx and were 200s level but not open to sophomores in the current system. These courses are recommended for approval:

A. ANSC 254 Principles of Poultry Science approve as **ANSC 2271**.

B. ANSC 291 Animal Science Field Excursions approve as **ANSC 2690**
C. ANSC 299 Independent Study approve as **ANSC 2699**

The motion carried.

V. New General Education courses forwarded from GEOC:
The Curricula & Courses Committee moves that the University Senate approve the following courses for the General Education Curriculum:

A. The Committee recommends approval of the following courses for inclusion in Content Area 1 (Arts and Humanities):

HIST/ LAMS 233W **History of Migration in Las Americas**
HIST278/ PRLS 220 **History of Latino/as in the United States**

The motion carried.

B. GEOC recommended approval of the following courses for inclusion in the W skill code Senate C&C Committee approves these courses and reports them for the information of the Senate:

ACCT 296W	Senior Thesis in Accounting
ANTH 2ZZW	Seminar in Archaeology
ANTH 292W	Ecological Anthropology Seminar
COMM 2XXW	Computer Mediated Communication
GS 295W	Integrating General Studies
HIST 258W	Intellectual and Social History of Europe in the Nineteenth Century
HIST 259W	Intellectual and Social History of Europe in the Twentieth Century
POLS 212W	Globalization and Political Change

VI. Courses to be dropped from General Education
GEOC recommended that the following English courses be dropped as general education courses. Senate C&C Committee recommends that the following courses be dropped from the list of approved courses. The courses will continue to be offered by the English department. They will be renumbered 3xxx or higher and will not be appropriate as general education courses.

Content Area 1

ENGL 200	Children's Literature
ENGL 212	The Modern Novel

The motion carried.

VII. Report of Cross-listed Skill Courses that have not appeared in Senate Minutes
For the information of the Senate, these cross-listed courses are given:
All approvals have been made by the appropriate Departments and the College of Liberal Arts and Sciences.

Content Area 1
AFAM/FINA 183 Afrocentric Perspectives in the Arts

Content Area 4

AASI/HRTS/SOCI 221	Sociological Perspectives on Asian American Women
AFAM/FINA 183	Afrocentric Perspectives in the Arts

W Competency

HIST/URBN 241W	The History of Urban America

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9. Senator Fox presented the Report of the Nominating Committee.

(See Attachment #12)

A. The Committee moves the following staff deletion to the named Standing Committee:

Monica Dimauro from the Scholastic Standards Committee

The motion carried.

B. The Committee moves the following faculty/staff additions to the Growth & Development Committee:

Laurie Best as representative of the Curricula & Courses Committee
Tracie Borden as representative of the University Budget Committee
Karen Bresciano as representative of the Student Welfare Committee
Faquir Jain as representative of the UConn Foundation Board of Directors

C. The Committee moves to add Lisa Sanchez to the General Education Oversight Committee for a two-year term.

Motions B and C carried.

D. The Committee moves the following undergraduate student additions to the named Standing Committees:

Robert Casapulla to the Scholastic Standards Committee
Vanessa DiPilato to the Faculty Standards Committee
Brittany Kwalek to the General Education Oversight Committee
Steven Mlenak to the Curricula & Courses Committee
Joshua Scheid to the University Budget Committee
Lauren Smith to the Curricula & Courses Committee & the Scholastic Standards Committee

The motion carried.

10. Unfinished business – none

11. New business – Senator DeWolf announced that Senator Andrew Marone had been elected by the students to serve on the Senate Executive Committee.

12. There was a motion to adjourn.

The motion was approved by a standing vote of the Senate.

The meeting adjourned at 5:37 p.m.

Respectfully submitted,
Robert Miller
Senate Secretary

The following members and alternates were absent from the October 9, 2006 meeting:

Aronson, Lorraine	Franklin, Brinley	Olson, Sherri
Bansal, Rajeev	Gramling, Lawrence	Ravishanker, Nalini
Becker, Loftus	Guillard, Karl	Saddlemire, John
Bergman, Theodore	Hart, Ian	Simmons, Robin
Boyer, Mark	Hightower, Lawrence	Stwalley, William
Bull, Nancy	Holsinger, Kent	Taylor, Ronald
Engel, Gerald	Holzworth, R.J.	VanHeest, Jaci
English, Gary	Kerntke, Michael	Vinsonhaler, Charles
Evanovich, Dolan	Marsden, James	von Munkwitz-Smith, Jeffrey
Faustman, Cameron	Nicholls, Peter	Zirakzadeh, C. Ernesto

ATTACHMENT #8

REPORT
SENATE EXECUTIVE COMMITTEE

October 9, 2006

The Senate Executive Committee has met twice since the September Senate meeting. At the first of these meetings, we met with the Chairs of the Standing Committees to develop the agenda for this meeting and to receive updates on issues being discussed in the committees. We also had an update on the work of the General Education Oversight Committee. The committee is now working on assessment to determine if the goals of the general education program are being met..

At the second meeting, the Executive Committee met with the President and the Vice President and Chief Operating Officer. There was an extensive discussion on the plans for the new classroom building and the Student Union mall area. This is also one of the agenda items for today's meeting.

The Senate Executive Committee has had some discussions on the conflict between the May Graduate Graduation Ceremony and the ending of the final exam period. This is an issue that will continue to be discussed. In the process, we have learned that the Schools of Education, Fine Arts and Pharmacy will have separate graduation ceremonies in May 2007. This is being done on a trial basis.

The Senate at-large-elections from the Faculty and Professional Staff were completed on Friday. The Senate Executive Committee is pleased to announce Kathleen Holgerson from the Women's Center and Sue Lipsky from UITS have been elected to three-year terms in the Professional Staff At-Large election. Nancy Bull, John Clausen, Brenda Murphy, Susan Spiggle and David Wagner have been elected to three-year terms in the Faculty At-Large election. The election of one faculty member to the Board of Governors for Higher Education will commence shortly. Constituency elections will be held in the spring. The move to electronic elections during the past academic year has greatly facilitated this process. Please continue to vote.

Lastly, the Senate Executive Committee would like to congratulate President Austin on his 10 years at the University of Connecticut. This decade has been one of significant transformation for the University, resulting in greater recognition for the University and all that we do. President Austin's leadership through this period is gratefully appreciated.

University Senate

Operating Budget Presentation

Prepared By

Office of the Chief Financial Officer

October 9, 2006

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*The following documents were used at the Board of Trustees meeting on June 20, 2006 and are available on the Budget Office website: Budget Presentation & Budget Workshop Binder.

University of Connecticut (Storrs & Regionals)

Statement of Current Funds Budget Operations[1] and Variance Analysis
FY06 (Unaudited)

(Dollars in Millions)

Current Funds Revenues:	Budget	Actual	Variance	% Change
Operating Fund				
State Support	$281.0	$285.7	$4.7	1.7%
Tuition	167.0	166.6	(0.4)	-0.2%
Fees	68.4	70.1	1.7	2.5%
Grants & Contracts	51.7	59.3	7.6	14.7%
Investment Income	3.3	8.2	4.9	148.5%
Sales & Service Education	12.5	14.8	2.3	18.4%
Auxiliary Enterprise Revenue	123.8	121.4	(2.4)	-1.9%
Other Revenue	9.2	10.0	0.8	8.7%
Total Operating Fund	716.9	736.1	19.2	2.7%
Research Fund	81.3	70.0	(11.3)	-13.9%
Total Current Funds Revenues	$798.2	$806.1	$7.9	1.0%
Current Funds Expenditures / Transfers:				
Operating Fund				
Personal Services	$331.8	$344.2	($12.4)	3.7%
Fringe Benefits	111.8	109.8	2.0	-1.8%
Other Expenses	138.5	132.6	5.9	-4.3%
Energy	31.7	35.5	(3.8)	12.0%
Equipment	16.0	14.9	1.1	-6.9%
Student Financial Aid	69.6	67.3	2.3	-3.3%
Transfers	25.5	35.3	(9.9)	38.7%
Total Operating Fund	724.9	739.6	(14.8)	2.0%
Research Fund	81.3	67.5	13.8	-17.0%
Total Current Funds Expenditures / Transfers	$806.2	$807.1	($1.0)	0.1%
Net Gain (Loss) - Unrestricted	($8.0)	($2.4)	$5.6	
Net Gain (Loss) - Restricted	0.0	1.4	1.4	
Total Net Gain (Loss)	($8.0)	($1.0)	$7.0	

[1] The University prepares and presents its Operating Budget requests and annual Spending Plan in a current funds format. The current funds format shows gross student tuition and fees and does not net out scholarship allowances, as required in the financial statements which are prepared in the GASB Nos. 34/35 format. Scholarship allowances are shown as an expense item. In addition, the University's current funds format includes equipment purchases as an expense and does not include depreciation and the State debt service commitment for interest.

As presented to the Department of Higher Education on August 30, 2006

University of Connecticut (Storrs & Regional Campuses)
Overview of the Quarterly Report of the Operating and Research Funds
Analysis of the Twelve Months Ended June 30, 2006

Results of Annual Operations

The enclosed report comparing the Operating and Research Funds actual results to budget for the twelve month period ended June 30, 2006 reflects unaudited figures and is subject to additional accounting year-end and audit adjustments.

The University ended the year with an unrestricted Operating Budget loss of $2.4 million and a restricted gain of $1.4 million. A summary analysis of the results of operations for various categories of accounts is presented below.

	Operating Fund	Research Fund	Total
Unrestricted	($3,022,416)	$654,575	($2,367,841)
Restricted	(458,128)	1,837,114	1,378,986
Total	($3,480,543)	$2,491,689	($988,854)

A more detailed review of FY 2006 operations is presented below.

Revenues – Operating Fund

Total **Operating fund** revenue collections for the year were $736.1 million which represented 102.7% of the annual budget. A major source of revenue, **State Support** totaling $285.7 million**,** consisted of a $210.6 million appropriation and a fringe benefit allotment of $75.1 million. State Support represented 38.8% of total Operating Fund receipts for the year. The net state support is a positive variance of $4.7 million. This represents additional support to cover the first of three payments to retired employees for accrued sick and vacation time under the Early Retirement Incentive Program (ERIP) and accruals associated with the general fund appropriation. **Tuition** collections are the second largest source of revenue, totaling $166.6 million, which represented 22.6% of total Operating Fund receipts for the year. Tuition revenue collections reflect a 5.6% rate increase coupled with a 2.9% increase in undergraduate degree seeking students who generate approximately 86% of actual tuition revenues.

Fee revenue is comprised of course fees from summer school, part-time, and non-degree students as well as self-supporting programs (off campus MBA, EMBA, etc.). Also included in this category is the General University Fee, which primarily supports four Auxiliary Enterprise programs and various other fees such as the Infrastructure Maintenance Fee, Application Fees and Late Payment Fees. Fee collections for fiscal year 2006 were $70.1 million or 2.4% more than budget. This was primarily attributed to greater than budgeted course fee revenue as well as increased General University and Infrastructure Maintenance Fee income.

Auxiliary Enterprise Revenue of $121.4 million represented 98% of the annual budgeted amount. Auxiliary revenue consists primarily of Room and Board Fees and Athletic Department receipts and is under budget primarily due to rebates given to residential students to compensate them for changes in their summer accommodations. Although the need for additional code compliance construction was discovered last year in residential facilities, it initially did not appear necessary to close the facilities early. However, early closure was necessary and therefore a refunding of fees was required.

The remaining revenue categories are (1) Grants and Contracts (non-research), (2) Investment Income, (3) Sales and Services of Educational Activities, and (4) Other Revenue (primarily parking, transit fee, and rental income).

Gifts, Grants and Contracts revenue consists of restricted revenues from a granting agency or private donor and gifts transferred from the UConn Foundation. At the end of fiscal year 2006, Gifts, Grants and Contracts revenue of $59.3 million is ahead of budget by $7.6 million. The state and federal grants and contracts were essentially on budget. However, the private grants revenue exceeded the budget by $7.1 million and this is due to greater than budgeted sponsored activity.

Investment Income has exceeded the FY06 budget with revenues of $8.2 million. Interest rates have increased substantially since last fiscal year and cash balances are greater due to more timely transfers of fringe benefits. The additional $4.9 million in revenue has been instrumental in reducing the size of the projected net loss including helping to offset increases in energy costs.

Sales and Services of Educational Activities and Other Revenue totaled $24.8 million and exceeded the projection by $3.1 million. The chart below shows the variances in some of the categories as described above.

	Budget	Actual	Variance
Grants & Contracts (non-research)	$35.3M	$41.2M	$5.9M
Foundation	16.4	18.1	1.7
Investment Income	3.3	8.2	4.9
Sales & Service of Educ. Activities	12.5	14.8	2.3
Other Sources	9.2	10.0	0.8
	$76.7M	$92.3M	$15.6M

Revenues – Research Fund

With respect to the **Research Fund**, the granting agency or donor restricts the use of most of the revenues. Research Fund revenues were $70.0 million which was $11.3 less than originally budgeted. This reflects the changing climate in federal research support.

Expenditures/Transfers

Total Operating Fund expenditures and transfers for fiscal year 2006 were $739.6 million or 2.0% more than the amount budgeted. Individual categories of expenditures/transfers and the percentage variance from the annual budget were as follows:

Expenditure Categories Variance from Budget	
Personal Services	3.8%
Fringe Benefits	(1.8%)
Other Expenses	(1.2%)
Equipment	(7.5%)
Student Aid	(3.2%)
Transfers	38.7%
Total Variance	**2.0%**

Personal Services/Fringe Benefits were higher than budgeted for the fiscal year ended June 30, 2006. The FY06 Operating Fund expenditures for personal services and fringe benefits were $454.0 million or $10.4 million more than budgeted. Primarily as a result of internal reallocations, the University was able to identify resources to fund a net increase of 51 full-time faculty (based on the IPEDS federal reporting standard). This contributed to the variance in Personal Services. The hiring of the additional full-time faculty is an effort to meet the course coverage demands of increased undergraduate enrollment. With the additional faculty, the student to faculty ratio (based on the *U.S. News & World Report* formula) has decreased slightly, from 17.47:1 (Fall 2004) to 17.21:1 (Fall 2005). In addition, full-time non-faculty staff increased by 64 positions for a total increase of 115 positions.

Other Expenses (including energy costs) are under budget by approximately $2.1 million. There are several factors contributing to this variance. While various components of this category (commodities, contractuals, etc.) were under budget, Energy is over budget by $3.8 million, largely due to increased unit prices for electricity and gas. In addition, this was a transitional year for energy as the University's cogeneration plant was recently completed. As the cogeneration facility continues to undergo extensive operational testing, we are working to quantify the financial impact of the shift to cogeneration. Internal budget reallocations from the Other Expense category were also used to fund the increase in the faculty/staff positions as discussed above.

The fiscal year 2006 **Equipment** budget (Operating Fund and Research Fund) totaled $21.4 million of which the Operating Fund budget was $16.0 million. The budget was a substantial increase from previous years and reflected the anticipated expenditure of $9.0 million of unexpended equipment purchases carried forward from fiscal year 2005. Operating Fund equipment expenditures were 92.5% of the amount budgeted and Research Fund equipment expenditures were 84.9% of the amount budgeted. There is approximately $2.6 million in designated equipment funding that was not spent in FY06 that will be carried forward to FY07.

Student Aid expenditures were $67.3 at the end of the fiscal year and were under budget by $2.3 million due in part because the student labor expenses are displayed in the personal services category. Tuition funded financial aid totaled $73.5 million or 99% of the budget. 17.6% of actual tuition revenue was spent on need based aid.

The Operating Fund **Transfers** line reflects transfers for bond and installment loan payments and to Plant Funds for various building improvements and renovations. The higher than budgeted transfer line can be attributed to the following: A) On June 20, 2006, the Board of Trustees was apprised that $4.0 million of current funds would be transferred to Plant Funds to cover the cost of corrective action in the residential facilities; B) The University changed the methodology it was using to calculate fringe benefits associated with the compensated absences accrual. The fringe benefit accrual was reduced by $2.6 million to recognize that the State now charges the University for the actual costs of medical plans, whereas under the old methodology, the accrual was based on a fixed percentage. These unbudgeted funds were transferred to Plant Funds to help cover the cost of corrective action in the residential facilities; C) The Division of Student Affairs transferred $2.3 million to Plant Funds for dining hall renovations; and D) The Division of Athletics transferred $1.3 million to Plant Funds to be used primarily for the new Intramural, Recreational and Intercollegiate Facilities project.

Finally, **Research Fund** expenditures and transfers totaled $67.5 million and were $13.8 under the budgeted amount. The decrease in expenditures is due to reduced federal grant activity for the year and to the departure of faculty through ERIP and the time delay that new faculty experience in starting up their research projects. Also, certain expenditures at the Institute of Materials Science were moved from the Research Fund to the Operating Fund thereby reducing activity in the Research Fund.

Enrollment

Total University enrollment for Fall 2005 (excluding the Health Center) is up 1.9% from Fall 2004. First time freshmen enrollment is down 0.7% from Fall 2004; however, total undergraduate enrollment (degree and non-degree) is up 1.9%. The current year budget was based on a 2.2% increase in total University enrollment and a 3.0% increase in undergraduate enrollment.

Cash Balance

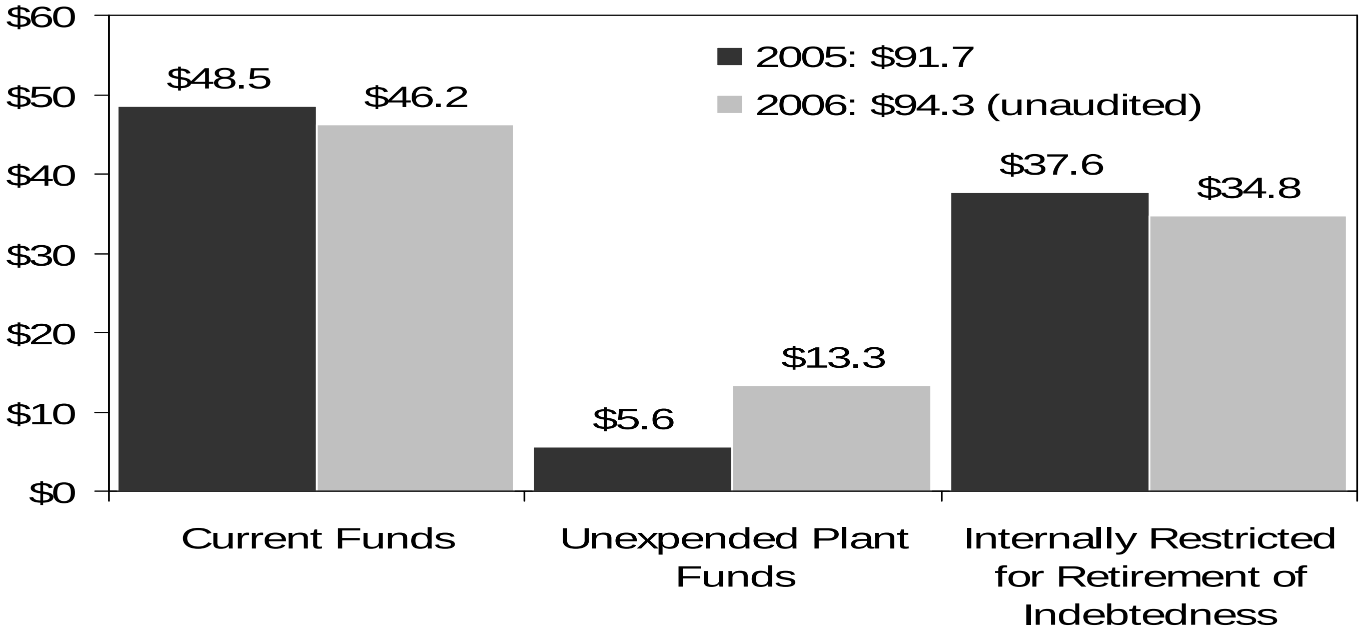
The June 30, 2006 current funds cash balance of $96.4 million reflects the collection of 101.0% of budgeted revenue while total expenditures and transfers were 100.1% of budget. The June 30, 2006 current funds cash balance represented 12.0% of the annual expenditure budget as compared to 13.0% one year ago.

Fund Balance

The University has a combined net loss of $1.0 million for the fiscal year ended June 30, 2006, which is comprised of a $2.4 million unrestricted loss and a $1.4 million restricted gain. As noted above, additional investment income was used to offset increased energy costs and also to reduce the projected deficit. This results in a Current Funds Unrestricted Fund Balance of $46.1 million (Operating Fund-$28.5 million; Research Fund-$17.6 million). This represents 6.6% of the current year's unrestricted expenditure budget. Also, in accordance with standard University procedures, unrestricted fund balances are carried forward in departmental accounts and are available for expenditure in the current and future fiscal years.

Designation of Unrestricted Net Assets

Storrs & Regionals ($M)



- The unaudited FY06 current funds balance reflects a reduction in fund balance of $2.4 million which includes equipment expenditures and a transfer to plant funds.
- The unaudited FY06 unexpended plant funds balance of $13.3 million includes transfers of $6.6 million from current funds and $3.0 million from our debt reserve to help cover approximately $10 million in expenditures to correct certain deficiencies in the construction of some residential facilities and to provide cash resources for on-going capital projects.

September 26, 2006

To: Members of the Board of Trustees

From: Lorraine M. Aronson
Vice President and Chief Financial Officer

Bruce A. DeTora
Chief Financial Officer

Subject: Approval of the Revised Spending Plan for Fiscal Year 2007 for the University Of Connecticut, Storrs & Regional Campuses

RECOMMENDATION:

That the Board of Trustees approve the Revised Spending Plan for Fiscal Year 2007 of $856.0 million for the University of Connecticut, Storrs and Regional Campuses.

BACKGROUND:

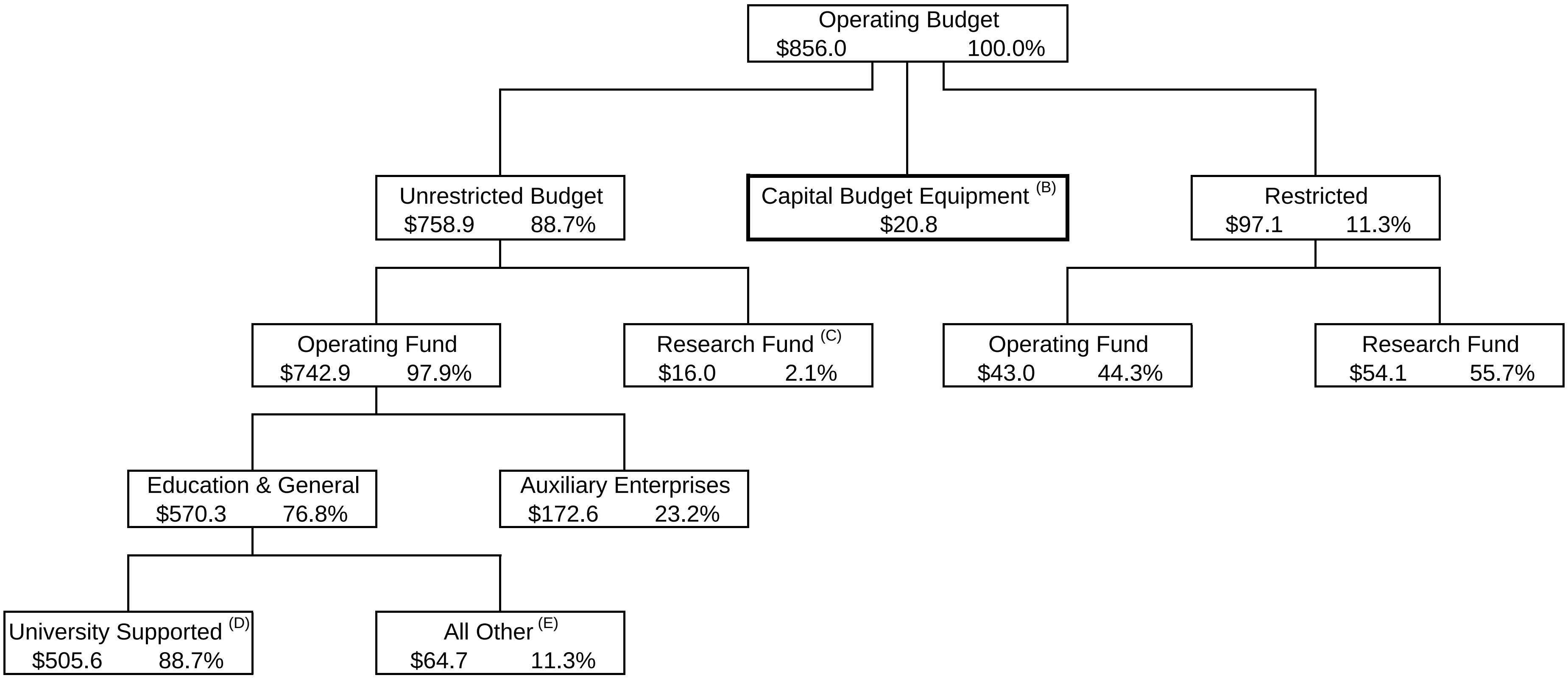
Subsequent to the approval of the FY 2007 Spending Plan on June 20, 2006, changes in the financial environment have taken place, which necessitate revisions to the Spending Plan for FY 2007. The updated Fiscal Year 2007 Spending Plan includes $855.0 million of revenue, including state funding of $222.1 (excluding fringe benefits), to cover $856.0 million in expenses, yielding an $1.0 million net loss. The Spending Plan has been updated with final State fringe benefit rates. The Research Fund budget, Investment Income and Operating Fund Gifts, Grants and Contracts have been revised to reflect activity more consistent with FY 2006 closeout. This net loss is comprised of a $1.0 million gain representing the reserve repayment for the November 2001 drawdown of $11.5 million for the Towers Dining Center and Student Union and a $2.0 million loss in Auxiliary Enterprises due to increased energy costs. The Spending Plan incorporates wage increases for settled collective bargaining agreements including American Association of University Professors (AAUP) at 5.21% and University of Connecticut Professional Employees Association (UCPEA) at 5%, as well as a managerial merit pool based on 5% of the wage base.

See attached schedule for detailed information.

Univeristy of Connecticut (Storrs & Regional Campuses)

Total Operating Expenditure Budget (in millions) [(A)] - % by Categories

FY 2007 - Revised 9/26/06



(A) Includes transfers for Bond Debt and construction projects.

(B) Capital Budget Equipment amount, funded by UCONN 2000, is shown for illustrative purposes only and is not included in the Operating Budget figures.

(C) This amount represents grant overhead funds only. Grant awards are reflected in the restricted portion of the budget.

(D) Primary revenue sources are the State Appropriation and tuition receipts.

(E) Primarily E&G Enterprise activities (e.g., Continuing Ed., MBA, etc…).

University of Connecticut (Storrs & Regional Campuses)
Current Funds Budget
FY 2007 - Revised

	TOTAL	E & G	AUXILIARY	UNRESTRICTED	RESTRICTED
Revenues					
Operating Fund					
State Support	$	$	$	**$**	$
State Appropriation/Allotment	222,137,561	222,137,561		**222,137,561**	
Fringe Benefits	83,634,486	83,634,486		**83,634,486**	
Total State Support	305,772,047	305,772,047		**305,772,047**	
Student Tuition & Fees-Gross	287,531,393	262,484,016	25,047,377	**287,531,393**	
Tuition Waiver Discounts	(36,536,135)	(36,536,135)		**(36,536,135)**	
Net Student Tuition & Fees	250,995,258	225,947,881	25,047,377	**250,995,258**	
Grants & Contracts	35,675,546	35,199,546	476,000	**1,825,000**	33,850,546
Private Gifts & Grants	27,259,462	14,507,609	12,751,853	**19,159,462**	8,100,000
Investment Income	9,141,000	9,141,000	0	**8,055,000**	1,086,000
Sales/Services of Educational Depts	13,610,000	13,610,000		**13,610,000**	0
Sales/Services Auxiliary Enterprises	132,352,992	0	132,352,992	**132,352,992**	0
Other Revenue	10,141,902	10,141,902	0	**10,141,902**	0
Total Operating Fund	$ 784,948,207	$ 614,319,985	$ 170,628,222	**$ 741,911,661**	$ 43,036,546
Research Fund					
Research Grants and Contracts	70,041,707	70,041,707	0	**15,934,896**	54,106,812
Total Revenues	$ 854,989,914	$ 684,361,692	$ 170,628,222	**$ 757,846,557**	$ 97,143,358
Expenditures/Transfers					
Education and General (E&G):					
Instruction	$ 264,653,821	$ 264,653,821	$	**$ 259,625,896**	$ 5,027,925
Research	58,452,032	58,452,032		**4,807,887**	53,644,145
Public Service	32,967,466	32,967,466		**20,834,177**	12,133,290
Academic Support	63,175,694	63,175,694		**61,434,111**	1,741,583
Library	16,637,945	16,637,945		**16,560,500**	77,446
Student Services	32,804,008	32,804,008		**31,518,370**	1,285,638
Institutional Support	67,326,398	67,326,398		**67,310,417**	15,981
Physical Plant	72,118,304	72,118,304		**72,118,304**	0
Student Aid	64,179,516	64,179,516		**40,962,166**	23,217,350
Sub-Total Education and General	672,315,185	672,315,185		**575,171,828**	97,143,358
E & G Transfers / Debt Retirement	11,037,499	11,037,499		**11,037,499**	
Total Education and General	$ 683,352,685	$ 683,352,685	$	**$ 586,209,327**	$ 97,143,358
Auxiliary Enterprises					
Expenditures	150,315,113		150,315,113	**150,315,113**	
Mandatory Transfers for Debt Retirement	13,313,558		13,313,558	**13,313,558**	
Auxiliary Expend. / Mandatory Trans	$ 163,628,671	$	$ 163,628,671	**$ 163,628,671**	$ 0
Non-Mandatory Transfers	9,015,254		9,015,254	**9,015,254**	
Total Auxiliary Enterprises	$ 172,643,925	$	$ 172,643,925	$ **172,643,925**	$ 0
Total Expenditures/Transfers	$ 855,996,609	$ 683,352,685	$ 172,643,925	**$ 758,853,252**	$ 97,143,358
Net Gain (Loss)	**$ (1,006,690)**	**$ 1,009,007**	**$ (2,015,703)**	**$** (1,006,700)	$ **0**

* The $1.0 million net loss is comprised of a $1.0 million gain representing the reserve repayment for the November 2001 drawdown of $11.5 million for the Towers Dining Center and Student Union and a $2.0 million loss in Auxiliary Enterprises due to increased energy costs.

University of Connecticut (Storrs & Regional Campuses)
Current Funds - Actual, Forecast and Proposed
Fiscal Years Ended June 30, 2004-2007

	Actual	*Actual*	*Actual*	*Proposed-Revised 9/26/06*		
Revenues:	FY 2004	FY 2005	FY 2006 unaudited	FY 2007	Change	%
Operating Fund						
State Support	$256.5	$273.1	$285.7	$305.8	$20.1	7.0%
Tuition (Net of Discounts)	136.8	156.0	166.6	179.6	13.0	7.8%
Fees	59.8	63.4	70.1	71.4	1.3	1.9%
Auxiliary Enterprise Revenue	106.2	114.8	121.4	132.4	11.0	9.1%
All Other Revenues	71.5	79.2	92.3	95.8	3.5	3.8%
Total Operating Fund	$630.8	$686.5	$736.1	$785.0	$48.9	6.6%
Research Fund	70.8	76.4	70.0	70.0	0.0	0.0%
Total Revenues	$701.6	$762.9	$806.1	$855.0	$48.9	6.1%
Expenditures / Transfers:						
Operating Fund						
Personal Services	$288.7	$317.1	$344.2	$367.6	$23.4	6.8%
Fringe Benefits	88.0	105.9	109.8	118.2	8.4	7.7%
Other Expenses	139.3	155.8	168.1	185.0	16.9	10.1%
Equipment	5.5	8.6	14.9	9.8	(5.1)	-34.2%
Student Financial Aid	58.2	63.3	67.3	72.0	4.7	7.0%
Transfers	49.9	25.4	35.3	33.4	(1.9)	-5.4%
Total Operating Fund	$629.6	$676.1	$739.6	$786.0	$46.4	6.3%
Research Fund Expenditures	72.6	74.3	67.5	70.0	2.5	3.7%
Total Expenditures / Transfers	$702.2	$750.4	$807.1	$856.0	$48.9	6.1%
Net Gain (Loss)	($0.6)	$12.5	($1.0)	($1.0)		

Highlights
Fiscal Year 2007
University Spending Plan

BUDGET PROCESS

For even-numbered fiscal years, the University prepares a single fiscal year spending plan; for odd-numbered years, the University also prepares a "current services" budget for the upcoming biennium for submission to the Office of Policy and Management (the Governor's budget agency), as well as to the State Department of Higher Education. ("Current services" refers to the cost of continuing current programs and services, updated for inflation. The "current services" budget forms the basis of the Governor's recommendations to the legislature.) The June 20th budget workshop will be dedicated to the spending plan for Fiscal Year 2007. The biennial "current services" request for Fiscal Years 2008 and 2009 will be presented to the Board at the August 1st meeting, as will the proposed tuition and fee charges for Fiscal Year 2008. We will also bring to the August meeting any FY '07 adjustments that may be necessitated by changes in the state fringe benefit rate or similar events.

BUDGET GOALS

Our budgets for the last few years have focused on achieving and maintaining financial equilibrium during a time of unprecedented growth. Fiscal Year 2006—the year we are about to close—saw our largest enrollment ever and also represented the final year of the full rollout of the undergraduate enrollment surge. Total graduate enrollment has remained fairly constant over the past few years, although there have been shifts in enrollment among programs. Going forward, the University will see only minimal growth in enrollment, but will continue to experience instructional demands. For Fiscal Year 2007, course coverage and student faculty ratio remain focal points in the proposed spending plan for the Storrs-based program. At the Health Center, programmatic focus on the Signature Program continues, but in an extremely constrained financial environment.

The key element in the coming year's spending plan, however, is the imperative to address pressing needs in operations. In fact, in dollar terms, the most significant new commitments arise from the action plan designed to strengthen our construction program. Certain aspects of these recommended budgetary allocations arise from the University's planning last year; others emanate from the work of the Governor's Commission on UConn Review and Accountability and subsequent legislative action. Much of the increased cost is in personnel: fire code and building inspectors, and construction oversight personnel. The other significant operational investment is in the enhancement of audit and compliance functions. Finally, we continue to face the immediate financial reality associated with the building code violations discovered last year, and those which may be uncovered in the course of the ongoing Department of Public Safety reviews. Although the University is pursuing cost-recovery, we must manage the initial cash outlay as we complete corrective activities this summer. This issue is addressed more fully below, in the explanation of our fund balance and plant funds.

THE STATE BUDGET

The state's significant revenue streams continue to grow at a fast clip. The state's financial health has been reflected in the most recent appropriation to the University. For both the Storrs-based program and the Health Center, the revised state budget for FY '07 brings us closer to our "current services" request than any budget in recent memory. The General Assembly approved an FY '07 appropriation of $217.7 million for Storrs (an increase of $11.9 million over the FY '06 allotment) and $76.9 million for the Health Center (up $758,828 from FY '06). The revised FY '07 state budget also repeals a separate provision enacted last year that would have reduced funding to Storrs by $832,500 and to the Health Center by $312,500.

The appropriation also contains $2 million for a new program to support the hiring of eminent faculty and $2 million for a Center for Entrepreneurship utilizing the expertise of UConn's Schools of Business and Law. The state budget uses FY '06 surplus funds for a one-time $350,000 appropriation for the National Undersea Research Center at Avery Point (to help offset federal funding cuts), as well as a $3.3 million appropriation for the Higher Education Matching Grant program for all of the state's public higher education constituent units. Finally, the budget transfers $200,000 from the Tobacco and Health Trust Fund to the Health Center in support of the Health Professions Partnership Program Initiative, which provides education and support services to encourage under-represented minority students to enter the health care field. The funding in intended to assist in addressing the hardship caused by reductions in federal funding.

Fringe benefit support from the state for Storrs is estimated at $82.8 million for FY '07, as compared to $75.8 million for FY '06. The state share of the Storrs-based operating budget, which stood at 50% in FY '91 and 35.5% in FY '06, is projected to be 35.4% for FY '07.

The share of the Health Center's budget supported by the state (at 23.3% in FY '99 and 16.2% in FY '06) is expected to be approximately 15.7% in FY '07. The Health Center budget also includes $90.7 million in contracted revenues/expenditures for the Correctional Managed Health Care (CMHC) program. This amount (which is a line item in the state appropriation for the State Department of Correction) is projected to be sufficient to meet expected service needs in the coming year.

Even if state tax receipts continue to rebound, the state budget's legal cap on expenditures remains an important context as we look to the future. As a result, the University's non-state revenue streams continue to play critical role in our financial health. These sources include private support, research funding (with reductions resulting from shifts in the federal budget), tuition/room/board/fees at Storrs and the regional campuses and clinical revenue at the Health Center.

SPENDING REDUCTIONS AND CONTROLS

We continue to seek efficiencies where possible, both immediate and long-term. For FY '07, following the trend of '06, even mechanisms previously put into place to achieve present savings or future cost avoidance saw unexpected increases. At the Health Center and at all of our other campuses except Torrington, the cost of contracted maintenance services jumped significantly and unexpectedly as the result of state-imposed requirements.

At Storrs, the new cogeneration plant, key to the University's efforts to maximize energy efficiency, is operational. The decision to pursue this cost-avoidance strategy has proven to be a sound and timely one given the current climate of spiraling energy costs. The originally estimated net present value of cost avoided by the construction of this plant is approximately $80 million ($187 million in undiscounted dollars), and savings will increase after lease payments expire in 20 years. The project will also increase the reliability of campus utilities, and lower emissions. However, skyrocketing energy costs have clearly eliminated any hopes of cost improvement in the immediate future; in fact, Storrs expenditures for FY '06 are forecast to show a deficit in the energy account of

$4.3 million. The difficulty of completing a cost/benefit analysis for FY ’06 for the cogeneration plant was compounded by the tremendous challenge of bringing the plant on-line, which required us to dedicate our staff resources to operations rather than financial analysis. We have had to adjust our goal of completing the evaluation of fiscal impact from FY ’06 to FY ’07, when we will also complete the development of a new utility fee schedule and the timetable to implement the new charge structure.

At the Health Center, approximately $65 million in operational efficiencies were achieved from FY ’00 through FY ’06.

BUDGET PLAN AND PRIORITIES

By way of background, although we have not yet completed year-end closeout, our very preliminary estimates indicate that the Health Center will end FY ’06 with a $1.3 million deficit. The Health Center faced a dual financial challenge in FY ‘06: a declining trend in clinical volume and decreases in research awards and revenue. Clinical volumes were affected by unusually high faculty turnover and a coincidental increase in medical leaves for physicians. However, with successful recruitment of new faculty, current clinical results are beginning to show a recovery in volume.

The Storrs-based program is projected to close FY ’06 with an $8 million loss, just as the approved FY ’06 budget assumed. (You will recall that an $8 million loss was a planned expenditure for equipment that was in fact covered by unexpended equipment funds carried forward from FY ’05.) However, the Storrs bottom line now also includes a transfer to plant funds (not previously budgeted) to help address the remaining residential facility code correction.

This proposed spending plan for FY ’07 projects a deficit of $1.4 million for the Storrs-based program. This deficit is due to a net loss in the auxiliary fund of $2.4 million driven by energy costs; room and board rates are already set for FY ’07 and we do not have the capacity to cover the shortfall with spending cuts. The Health Center plan projects a net gain of $94,000. FY ’06 and FY ’07 budget totals are displayed below. (Percentages represent increases over the prior year.)

	FY ‘06	FY ‘07
Storrs-based	$ 806.0 million (7.4%)	$858.1 million (6.5%)
Health Center	$ 625.2 million (2.9%)	$654.7 million (4.7%)
Total	$1,431.1 million (5.4%)	$1,512.8 million (5.7%)

(Please note: detailed charts for the current funds budgets, and their revenue/expenditure components, are found in Tab 5 and 6 of the budget materials.)

This budget reflects the following:

- The state appropriation and “best guess” estimates of state fringe benefit support
- Efficiencies, cost-reductions and reallocations rolled out permanently into the base budget
- Revenue enhancement/implementation of charges previously approved by the Board

- Expenditures for quality: targeted increases for high priority programs 1) to ensure course availability for undergraduates and 2) to further the Storrs-based Academic Plan and the Health Center's Signature Programs
- Expenditures for equity: increased financial aid
- Expanded audit and compliance capacity
- Operational enhancements, including code compliance inspection and construction planning, management and oversight capacity

STORRS AND THE REGIONAL CAMPUSES

Quality and access remain the University's greatest challenges. Starting last year, our focus began to shift from the need to allocate resources to support increasing enrollment, to the opportunity to target resources to support increasing quality. Our Academic Plan will drive a budget that invests in high quality programs with high potential to achieve three interrelated objectives: improving undergraduate instruction, growing research productivity and enhancing the University's reputation as a center for scholarly endeavor. Our faculty hiring proposal and the metrics effort will continue to be priorities. Although we have not yet succeeded in securing the state support necessary to implement fully the faculty hiring proposal, we remain committed to the initiative because of its importance to 1) research, 2) course coverage, 3) improving our student: faculty ratio, 4) the "Finish in Four" effort and 5) enhancing faculty diversity. In FY '06, we started the academic year with 51 net new faculty members. The FY '07 proposal adds 20 faculty to that number. This investment in hiring represents significant progress towards our goal of 175 additional new faculty.

Revenue

The proposed budget incorporates the implementation of increases approved in June 2004 for tuition, room, board and fees. Detailed breakouts are in Tab 6 of these materials. Please note that for an in-state student, tuition covers only about one-third of the cost of academic services; all charges combined (tuition, room, board and fees) cover only one-half of total costs.

For FY '07 the total in-state undergraduate charge will be $16,628, an annualized increase of 6.48% over FY '06. Out-of-state undergraduate charges would rise at approximately the same percentages, for a total charge of $29,828 in FY '07. As described below, additional financial aid is budgeted to offset the impact of increased charges on financially needy students and families. In a dynamic college marketplace, UConn remains a tremendous value in comparison to our competitors—but it is a value only if it ensures high quality.

Tuition revenue growth—the combined effect of enrollment and tuition charges—is projected at 7.5% for FY '06 over FY '07. (Please see Tab 6 Current Funds chart.) Changes in room and board (in Auxiliary Enterprises) and fees drive an increase of 10% for FY '07 over FY '06 revenue. Please note that, unlike the past several years, growth in these revenue streams will henceforth be a function only of rate changes, as enrollment is stabilizing. Other sources of revenue for FY '07 are the state appropriation of $217.7 million (a 5.8% increase over FY '06) and research grant awards, projected at $98.0 million (a 4.0% increase over FY '06).

One final note: last year, the Board was presented with a decrease in FY '06 board rates due to the restructuring of meal plan offerings. At that time, the board fee for FY '07 was based on meal plan options that assumed $100 in "points" for students to use at the Student Union food court venues. Negotiations with food court vendors resulted in plans that no longer require building these "points" into the meal plan. As a result, $100 of the board fee already approved by the

Board is no longer required for this purpose. The resulting $974,000 in revenue is, however, critically necessary to help offset increased energy costs. Any reduction in room or board rates for FY ’07 will only worsen the auxiliary deficit caused by the spiking price of energy.

Expenditure Highlights

- Undergraduate Course Offerings

  The enrollment surge is nowhere reflected as clearly as in the increase in undergraduate credit hours, which jumped from 427,129 hours in FY ’01 (Fall of 2000) to 544,952 in FY ’06 (Fall of 2005). This is a 28% increase over the five year period at all campuses. (At the Storrs campus alone, the five year increase is 26%.) We have tried to respond to demand with a flexible mix of instructional capacity, including full-time faculty, in-residence faculty (3 year appointments) and adjunct faculty. This flexibility has been an essential element in managing instructional demand because of shifts in student course-taking behavior by content area, as well as financial realities. For FY ’07, a commitment of $3.65 million will support the new faculty hires described above and includes $750,000 in additional course coverage/extra sections. From FY ’00 to FY ’06, the University has devoted $8.6 million in new dollars to meet course demands of increased enrollment, with much of the increase in CLAS. Our largest increases in enrollment are in nursing, pharmacy, biological sciences and engineering. Two related points: 1) these are disciplines that address critical workforce shortage areas and 2) all of these students take courses in CLAS.

- Financial Aid

  Financial aid represents an expenditure that, while to some extent discretionary, is inextricably intertwined with the mission of the University and is therefore treated as a “must do” in our budgets. When we develop our budget, each increase in student costs is matched by increased financial aid to ensure that no student’s UConn education is denied or hampered based on financial need. For FY ’07, the University will earmark $243.0 million for all forms of financial aid, and $79.5 million (including tuition waivers) of that amount will be funded with tuition revenue. In other words, a remarkable 17.8% of this University’s tuition revenue is dedicated to financial aid. In fact, 78% of UConn’s students received some form of assistance last year. This budget represents an increase of $12.7 million over FY ’06 total financial aid expenditures.

- Library Acquisitions

  As you know, UCONN 2000 includes a project line entitled “Equipment, Library Collections and Telecommunications,” and we have used this source to fund library needs to date. We have, however, discussed for the last few years the importance of gradually shifting this item onto operating dollars. A steady phase-in would free up UCONN 2000 dollars for reallocation to other capital expenses. This is of particular concern in the short-term (because we had to reallocate FY ‘05 Equipment funds to address capital needs), but it is also an issue in the mid-term (because construction material prices show no signs of improving) and in the long-term (because at the end of Phase III of UCONN 2000 we must ensure a stable funding stream for this activity). The FY ‘06 budget moved $1.7 million for library acquisitions to the operating budget, with the remaining $4.3 million of the total $6.0 million allocation still coming from capital funds. Given how tight the FY ’07 budget is, we can only afford to dedicate a small additional amount to this effort, but the phase-in continues with $2 million of the $6.3 million total coming from operating dollars. We hope to complete the phase-in by FY ’12.

- Fire Safety/Building Inspection/Construction Management, Oversight and Compliance

  The FY ’07 spending plan’s most significant new commitments relate to the University’s construction program. In addition to an expected $1.5 million in audit-related costs in FY ‘07, this budget accommodates significant staffing increases. Last year, $837,000 was earmarked for the first full year of the new University Office of Fire Marshal and Building Inspector. For FY ’07, five new staff members (two building and two fire code inspectors and one supervisor) will be hired, at a cost of $540,000, in furtherance of our understanding with the State Department of Public Safety. This expanded capacity will move us to a staffing level capable of providing quality plan and inspection reviews for the University’s construction, renovation and building maintenance program at all of our campuses.

  Another critical aspect of this budget is to fund the department of Architectural and Engineering Services (AES). AES has the primary responsibility for planning, managing and completing all capital projects University-wide. Our recent experience, as well as benchmarking these functions against those at similar universities, indicates that we are seriously understaffed. The staffing shortfalls have traditionally been resolved by utilizing outside contracted resources.

  $865,000 in the FY ’07 budget is slated to add 11.5 FTE positions to existing staff. By bringing the department more in line with appropriate staffing levels, we will be able to reduce the University’s reliance on third party vendors who provide engineering services and fill in areas of project planning, management and oversight. Further, a funded plan to increase staffing is essential in order to respond to concerns raised by the Governor’s Commission and the General Assembly.

  Finally, $500,000 of the FY ’07 budget is dedicated to the establishment of the Office of Construction Assurance, which is part of the new oversight structure set forth in this year’s amendments to the UCONN 2000 statutory framework.

- Operations

  A focused improvement program for our utility infrastructure has begun, with assessment and planning activities underway. While significant funding for this effort will come from the capital budget, the FY ’07 operating budget includes $300,000 for backflow prevention monitoring and $250,000 for water management activities. Our security infrastructure will see an $80,000 increase for our Blue (emergency) Phones system.

  Maintenance (cleaning) activities that are addressed through vendor contracts (all of which are subject to the provisions of the Standard Wage Act) will require a $2.4 million addition in next year’s budget.

CROSS-UNIVERSITY COLLABORATION

- Audit and Compliance: For the ’06 year, the office’s budget was $2.6 million. The FY ’07 budget includes $170,000 for new positions and $100,000 for the Corporate Integrity Agreement at Storrs. The budget also includes $1.5 million for UCONN 2000 audit activity. At the Health Center, $372,000 will fund new positions in the compliance unit.

HEALTH CENTER

In last year's budget presentation, we said "Given the relentless pressures of the health care marketplace, and the challenges of managing those issues in a public sector environment, FY '06 promises to be another tough year for our academic medical center." It was. The goal of the proposed Fiscal Year 2007 budget is to strategically reduce expenses while continuing to hold true to the Strategic Plan, but achieving this goal is likely going to be a greater challenge than ever.

Revenue

The state appropriation for FY '07 for the Health Center is $76.9 million, approximately $225,000 below the "current services" request, and we expect state fringe benefit support of $25.2 million. Of the Health Center's $654.8 million in revenue for FY '07, sources other than the state appropriation account for an increase of $29.1 million. Clinical revenue is projected at $298.6 million, a 6.2% increase over FY '06. Clinical revenues include volume assumptions that continue historical growth trends. In addition, the volume projection reflects Signature Program business plans, new faculty recruitments, increased marketing efforts, the impact of UMG's clinical incentive plan, the Dental Implant Center, the Electrophysiology Lab, changes in Farmington Surgery Center operations, and other performance improvement initiatives. Clinical revenue price assumptions include a continued slight shift to managed care, non-governmental contractual increases of 3%, and the impact of the Medicare and Medicaid changes.

In FY '07, we expect to see research award activity remain essentially flat—a dramatic shift from the 17% annual average increase from FY '00 to FY '04—due to the federal budget's impact on NIH. Research revenue is $89.8 million, a 1% increase over the prior year (and research awards stand at $88 million, a 0% increase over FY '05). Income related to the placement of interns and residents is $29.6 million, a decrease of 1.2%. Tuition and fee revenue is $14.9 million, which reflects the 15% rate increase approved by the Board last year. $90.7 million (on both the revenue and the expense side) reflects the contract with the Department of Correction for inmate health services. All other sources of revenue (including auxiliary) come to $28.2 million.

Expenditures

The Health Center's "Signature Programs" in cancer, cardiology, musculoskeletal medicine and Connecticut Health are the nexus for the programmatic confluence of distinguished basic science research, clinical services growth and educational excellence. Through translational research, the Health Center's investment in the integration of research, clinical care and education via the Signature Programs is the linchpin to the Center's plan for long-term fiscal sustainability.

The Health Center's FY '07 budget includes new incremental investments of more than $3 million – bringing total investments in the Signature Programs to over $13.2 million since FY '01. The budget also includes investments in compliance and regulatory activities, private fundraising and information technology, as well as support for the Research Strategic Plan.

Given the challenges on the revenue side, however, these investments cannot be supported by new income alone. The FY '07 plan calls for significant cost reductions to enable reallocation of existing resources. Changes in the Clinical Incentive and Research Incentive Plans will reduce FY '07 costs. More significantly, and more unfortunately, $6 million in reallocation will have to be achieved through workforce reduction. Although the challenge of maintaining a balanced budget over the last several years has entailed layoffs from time to time, this is the most sizable cost-related workforce reduction we have had to undertake since FY '00.

Detail for the Health Center spending plan is in Tab 5, as are the background data and Health Center performance indicators.

FUND BALANCE

As was the case last year, at Storrs, our fund balance and use of plant funds is a more significant issue than usual, primarily because of the corrective action plan to address code violations at some of our student residential facilities. This summary is intended to provide the Board with general background information as well as specifics regarding the source and timing of funds to accommodate the approximately $10 million of work that is projected to be necessary in the coming year. Please keep in mind that while this cash outlay for construction is required immediately, we will continue our efforts to secure recovery from contractors.

For the Storrs-based program, the FY ’06 projected year-end Unrestricted Fund Balance of $40.5 million represents 6.0% of the FY ’06 unrestricted budget ($698.5 million) or, alternatively stated, 22 days’ worth of operations.

The $40.5 million fund balance represents the funds and inventory remaining in these accounts: the Research Fund (designated for research); the Auxiliary Fund (residential, dining, health, student activities and recreational services); Departmental Funds (self-supporting fee-based instructional programs such as Continuing Studies and MBA); and a liability for compensated absences (vacation/sick leave), which is an accounting requirement. Existing fund balances are not generated from state support or tuition revenues.

It is important to remember that the money in the fund balance, while not all technically encumbered, may be committed in a more generic sense. First of all, funds may be held in a departmental account in anticipation of an expenditure (such as start-up costs for a new researcher). Second, under the provisions of UCONN 2000, the University is required to maintain a Renewal and Replacement Fund to keep projects in sound operating condition; the fund balance serves this purpose under the Master Indenture. Third, these amounts include inventory.

The fund balance is our operating capital and reserve for programs and activities that generate revenue and are not supported by state appropriation or tuition funds. We borrow from the fund balance to pay our bills when necessary. For example, in FY ’04, the University didn’t receive $13.4 million in state fringe benefit support until June—the very end of the fiscal year. In FY ’05, the first quarter allotment of our entire appropriation did not arrive until September 28th—two days before the close of the fiscal quarter. Another example: the state generally informs us of changes in fringe benefit rates after the fiscal year has started, and frequently the increases have a significant fiscal impact. The fund balance allows us to manage these dislocations without disrupting the University’s operations.

At year end, when funds are available, we also set aside dollars in accounts for planned one-time expenditures, mostly capital. These accounts comprise our plant funds. A good example of this is the $10 million we set aside two year ago towards our technology infrastructure upgrade plan. Plant funds also include specific repair projects and furniture/equipment replacement for Residential Life/Dining Services.

For Storrs, then, our projected unrestricted net assets of $85.0 million are made up of the $40.5 million current fund balance, the estimated $12.5 million in unexpended plant funds (described in more detail below) and a third component: $32.0 million in funds that are internally restricted for the retirement of indebtedness. We have traditionally been very conservative with regard to savings for debt obligations, maintaining funds at a level of approximately 1.6 times our annual debt payments. We believe that this policy has served us well, and recent events have reinforced this view. Fortunately, the code issues we dealt with at the new residences were not health/safety issues that required the relocation of students. Had that been the case, however, the loss of the room revenue stream would have forced us to turn to our debt reserve funds.

We currently estimate that the cost of upcoming corrective action (and enhancements that go beyond code requirements) at the residential facilities will be approximately $10 million for FY ‘07, mostly at Hilltop Apartments with a small portion of the expense at Charter Oak. Again, we are pursuing financial recovery, but we must nevertheless upfront cash for work underway this summer. Our current funds balance cannot handle this impact. That leaves plant funds, the source we tapped last year for $15 million to cover the initial impact of the remedial program. The effect of the FY ’06 expenditures on plant funds was significant, and we plan to augment the remaining funds with a $4 million transfer from operating funds (reallocated within the budgeted bottom line for FY ’06) and a $5.6 million transfer from our debt reserve. We normally reserve at a level representing 1.6 times our annual debt cost, but we expect to close FY ’06 with the reserve at a 1.7 level (because of changes in actual ’06 requirements from the State Treasurer’s Office). We also believe that we can safely set our reserve level at 1.5 (still a conservative approach) for a single year. The combination of the unexpected overage in FY ’06 with the reduced set-aside will generate the $5.6 million debt reserve transfer. We will budget a return to the 1.6 level for FY ’08. The resulting $12.5 million plant fund balance will accommodate the estimated $10 million needed for this activity in FY ’07, as well as the cash resources for other capital projects dependent on this fund. We also plan to deposit the proceeds of financial recoveries in this fund. Please note that this year’s legislative changes to UCONN 2000 prohibit the use of UCONN 2000 deferred maintenance funds for this type of code correction activity, so we have no option but to use operating funds.

Finally, at the Health Center, the FY ‘06 projected year-end Unrestricted Fund Balance of $54.6 million represents 8.7% of the FY ‘06 unrestricted budget ($625 million) or, alternatively stated, 32 days' worth of operations. The $54.6 million balance includes capital budgets from other funds, other current liabilities, including malpractice claims.

* Please note that budget information contained in the University Senate report has been updated to reflect current data.

September 26, 2006

TO: Members of the Board of Trustees

FROM: Lorraine M. Aronson
Vice President and Chief Financial Officer

Bruce A. DeTora
Chief Financial Officer

SUBJECT: APPROVAL OF THE STATE APPROPRIATION CURRENT SERVICES REQUEST FOR THE BIENNIUM FISCAL YEARS 2008 AND 2009 FOR THE UNIVERSITY OF CONNECTICUT, STORRS & REGIONAL CAMPUSES

RECOMMENDATION:

That the Board of Trustees approve a Current Services State Appropriation Request for the Biennium Fiscal Years 2008 and 2009 as follows: $226.1 million for Fiscal Year 2008 and $228.2 million for Fiscal Year 2009 for the Storrs-based program.

BACKGROUND:

The FY 2008 Current Services State Appropriation Request is $226.1 million. The University is requesting Collective Bargaining funds for settled contracts of $3.35 million, New Building Openings Operating and Maintenance (O&M) funds of $1.21 million, and inflationary funds of $0.06 million. Also, the University has budgeted $87.0 million for Current Services fringe benefits, which are not appropriated directly to the University. The total FY 2008 Current Services State Appropriation Request represents an increase over the FY 2007 level of $4.63 million.

The FY 2009 Current Services State Appropriation Request of $228.2 million is predicated upon the FY 2008 Current Services State Appropriation request of $226.1 million. In addition, the University is requesting Collective Bargaining funds for settled contracts of $1.04 million, New Building Openings Operating and Maintenance (O&M) funds of $0.98 million, and inflationary funds of $0.04 million. Also, the University has budgeted $89.6 million for Current Services fringe benefits, which are not appropriated directly to the University. The total FY 2009 Current Services State Appropriation Request represents an increase over the FY 2008 level of $2.06 million.

Please see the attached schedule for more detailed information.

University of Connecticut
Storrs & Regional Campuses
Current Services State Appropriation

	FY 2007	
	UConn Requested Appropriation	Approved Appropriation
Operating Fund	$204,340,963	$205,657,116
Tuition Freeze	4,741,885	4,741,885
Regional Campus	7,623,035	7,245,683
Vet Diagnostic Lab	50,000	50,000
Total	**$216,755,883**	**$217,694,684**
Reserve for Salary Account Request		3,792,877
Adjusted Approved Appropriation*		**$221,487,561**

FY 2007 Adjusted Approved Appropriation	$221,487,561
Collective Bargaining - Settled Contracts	3,353,885
New Buildings	1,210,132
Inflation	63,045
FY 2008 Requested Appropriation	**$226,114,623**

Collective Bargaining - Settled Contracts	$978,299
New Buildings	1,041,131
Inflation	44,072
FY 2009 Requested Appropriation	**$228,178,125**

*Excludes one-time appropriations of $300,000 for Integrated Pest Management and $350,000 for NURC.

ATTACHMENT #10

Senate Scholastic Standards Committee
Report to the University Senate
October 9, 2006

Motion

Background:
In general, instructors have an expectation that the students enrolled in their courses will attend scheduled classes. In many courses instructors consider a student's attendance to be a crucial component of the course experience even if there is no overt active participation by the student. However, the existing bylaw does not allow the instructor to consider attendance in determining the student's grade.

The proposed revision enables instructors to include attendance as a component for determining a student's grade. Note that the decision as to whether or not to consider attendance is the sole prerogative of the instructor of record.

The motion also makes instructors aware of the fact that student has many demands on his or her schedule, and there are times when reasonable obligations or unforeseen circumstances compete with his or her ability to attend class. Instructors are urged to accommodate the student these situations.

Motion: To revise the existing bylaw as shown.

Current bylaw:

E. Scholastic Standing
11. Class Attendance

The faculties of the University consider attendance at classes a privilege which is extended to students when they are admitted to the University and for as long as they are in good standing. The Instructor concerned is given full and final authority (except in the case of final examinations) to decide whether or not a student is permitted to make up work missed by absence and on what terms. Instructors are expected to turn in grades which indicate the extent to which the student has mastered the work of the course. In some courses, the demonstration of mastery may depend in part on classroom activity (e.g., oral recitation or discussion or laboratory work). In such courses, absences may affect the student's accomplishments and so be reflected in grading; however, grades are not to be reduced merely because of a student's absences as such. In all courses instructors are expected to indicate at the beginning of the semester how they will determine the student's grades. As an exception to the general rule concerning absences, if a student does not attend any of the classes or laboratories of a course during the first two weeks of the semester and does not notify the Department of Student Affairs of the reasons for his or her absence, the instructor may assign his or her seat to another student. Such non- attendees may, after the second week, request to continue in the course on the same basis as a student not registered for the course. If space is not available for such a non-attendee, the student must drop the course by the regular procedure or run the risk of being assigned a failing grade (See II.B.10, paragraph 7).

Proposed revision:
E. Scholastic Standing
11. Class Attendance
Students are expected to attend classes for which they are registered. Instructors may establish attendance criteria and may consider these criteria when determining a student's grade. Instructors are expected to inform students of the criteria and how they will be factored into students' grades. The Instructor of record is given full and final authority (except in the case of final examinations) to decide whether or not a student is permitted to make up work missed by absence and on what terms. Instructors are urged to accommodate student requests to complete work missed by absence due to reasonable extenuating circumstances, or extra curricular/co-curricular activities performed in the interest of the University and/or supporting the scholarly development of the student, when such accommodations would not dilute or preclude the requirements or learning outcomes for the course. Examples of such activities include participation in scholarly presentations, performing arts, and intercollegiate athletics, when the participation is at the request of, or coordinated by, a University official. Students involved in such activities should inform their instructor in writing prior to the anticipated absence and take the initiative to make up missed work in a timely fashion.

If a student does not attend any of the classes or laboratories of a course during the first two weeks of the semester and does not notify the Department of Student Affairs of the reasons for his or her absence, the instructor may assign his or her seat to another student. Such non- attendees may, after the second week, request to continue in the course on the same basis as a student not registered for the course. If space is not available for such a non-attendee, the student must drop the course by the regular procedure or run the risk of being assigned a failing grade (See II.B.10, paragraph 7).

ATTACHMENT #11

UNIVERSITY SENATE CURRICULA AND COURSES COMMITTEE
Report to the Senate, October 9, 2006

I. Special Topics Course topic approval
The Committee recommends approval of the following course topic for spring 2007

A. OPIM 195 Special Topics
Topic: Management Information Systems in Business: A Hands-on Approach

II. Courses Open to sophomores
The Committee reports the following course have been approved as open to sophomores

A. HIST/ LAMS 233W History of Migration in Las Americas open to sophomores

The Committee reports the following course has been dropped as open to sophomores

A. MATH 214 Introduction to Discrete Systems drop open to sophomores so that course may be dropped

III Course with C to be dropped
The Committee recommends that the following C designated course be dropped:

A. NRME 251C Computer Utilizations in AGNR drop C so that course may be dropped. Course not offered for a number of years.

IV. New Course Numbering
The Committee has reviewed the renumbering of Animal Science courses for the new system. These courses will now be 2xxx and were 200s level but not open to sophomores in the current system. These courses are recommended for approval:

A. **ANSC 254 Principles of Poultry Science** approve as **ANSC 2271**.
B. **ANSC 291 Animal Science Field Excursions** approve as **ANSC 2690**
C. **ANSC 299 Independent Study** approve as **ANSC 2699**

V. New General Education courses forwarded from GEOC:

The Curricula & Courses Committee moves that the University Senate approve the following courses for the General Education Curriculum:

A. **The Committee recommends approval of the following courses for inclusion in Content Area 1 (Arts and Humanities):**

HIST/ LAMS 233W History of Migration in Las Americas
HIST278/ PRLS 220 History of Latino/as in the United States

B. GEOC recommended approval of the following courses for inclusion in the W skill code Senate C&C Committee approves these courses and reports them to the senate:

ACCT 296W	Senior Thesis in Accounting
ANTH 2ZZW	Seminar in Archaeology
ANTH 292W	Ecological Anthropology Seminar
COMM 2XXW	Computer Mediated Communication
GS 295W	Integrating General Studies
HIST 258W	Intellectual and Social History of Europe in the Nineteenth Century
HIST 259W	Intellectual and Social History of Europe in the Twentieth Century
POLS 212W	Globalization and Political Change

VI. Courses to be dropped from General Education

GEOC recommended that the following English courses be dropped as general education courses. Senate C&C Committee recommends that the following courses be dropped from the list of approved courses. The English department is making them 3xxx or higher and not appropriate as general education courses.

Content Area 1

ENGL 200	Children's Literature
ENGL 212	The Modern Novel

VII. **Report of Cross-listed Skill Courses that have not appeared in Senate Minutes**

For the information of the senate these cross-listed courses are given:

All approvals have been made by the appropriate Departments and the College of Liberal Arts and Sciences.

Content Area 1

AFAM/FINA 183	Afrocentric Perspectives in the Arts

Content Area 4.

AASI/HRTS/SOCI 221	Sociological Perspectives on Asian American Women
AFAM/FINA 183	Afrocentric Perspectives in the Arts

W Competency

HIST/URBN 241W	The History of Urban America

Respectfully submitted,
Laurie Best, Janice Clark, Anne D'Alleva, Michael Darre, Andrew DePalma, Jane Goldman Kathleen Labadorf, Maria O'Donoghue, Eric Shultz, Jaci VanHeest, Katharina von Hammerstein, Robert G. Jeffers (Chair)

ATTACHMENT #12

NOMINATING COMMITTEE REPORT
October 9, 2006

1. We move the following staff deletion to the named Standing Committee:

   Monica Dimauro from the Scholastic Standards Committee

2. We move the following faculty/staff additions to the Growth & Development Committee:

   Laurie Best as representative of the Curricula & Courses Committee
   Tracie Borden as representative of the University Budget Committee
   Karen Bresciano as representative of the Student Welfare Committee
   Faquir Jain as representative of the UConn Foundation Board of Directors

3. We move to add Lisa Sanchez to the General Education Oversight Committee for a two-year term.

4. We move the following undergraduate student additions to the named Standing Committees:

   Robert Casapulla to the Scholastic Standards Committee
   Vanessa DiPilato to the Faculty Standards Committee
   Brittany Kwalek to the General Education Oversight Committee
   Steven Mlenak to the Curricula & Courses Committee
   Joshua Scheid to the University Budget Committee
   Lauren Smith to the Curricula & Courses Committee & the Scholastic Standards Committee

Respectfully submitted,

Rajeev Bansal, Chair
John DeWolf
Harry Frank
Karla Fox
Anne Hiskes
Robert Tilton