

# Budget Discussion January 2024

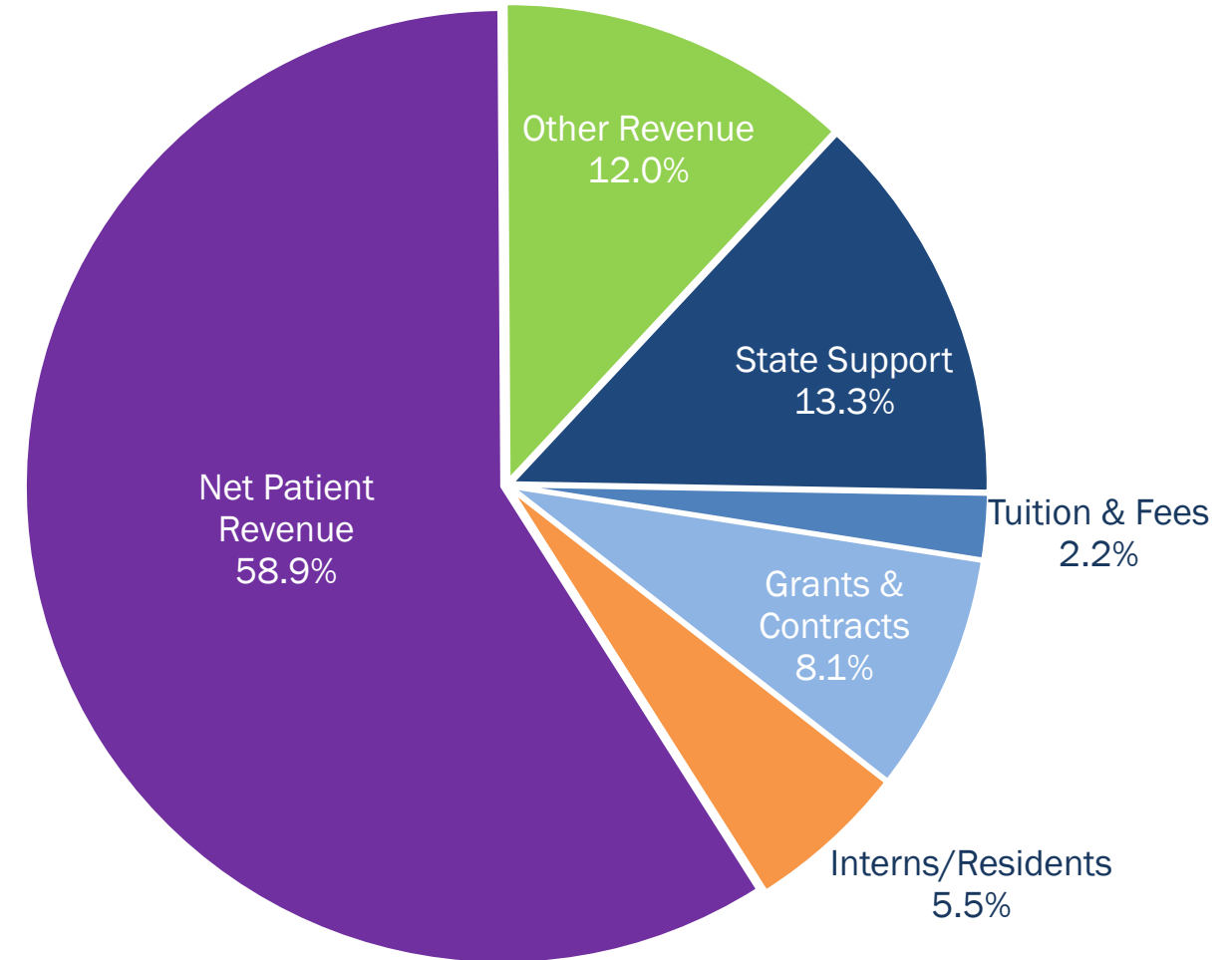
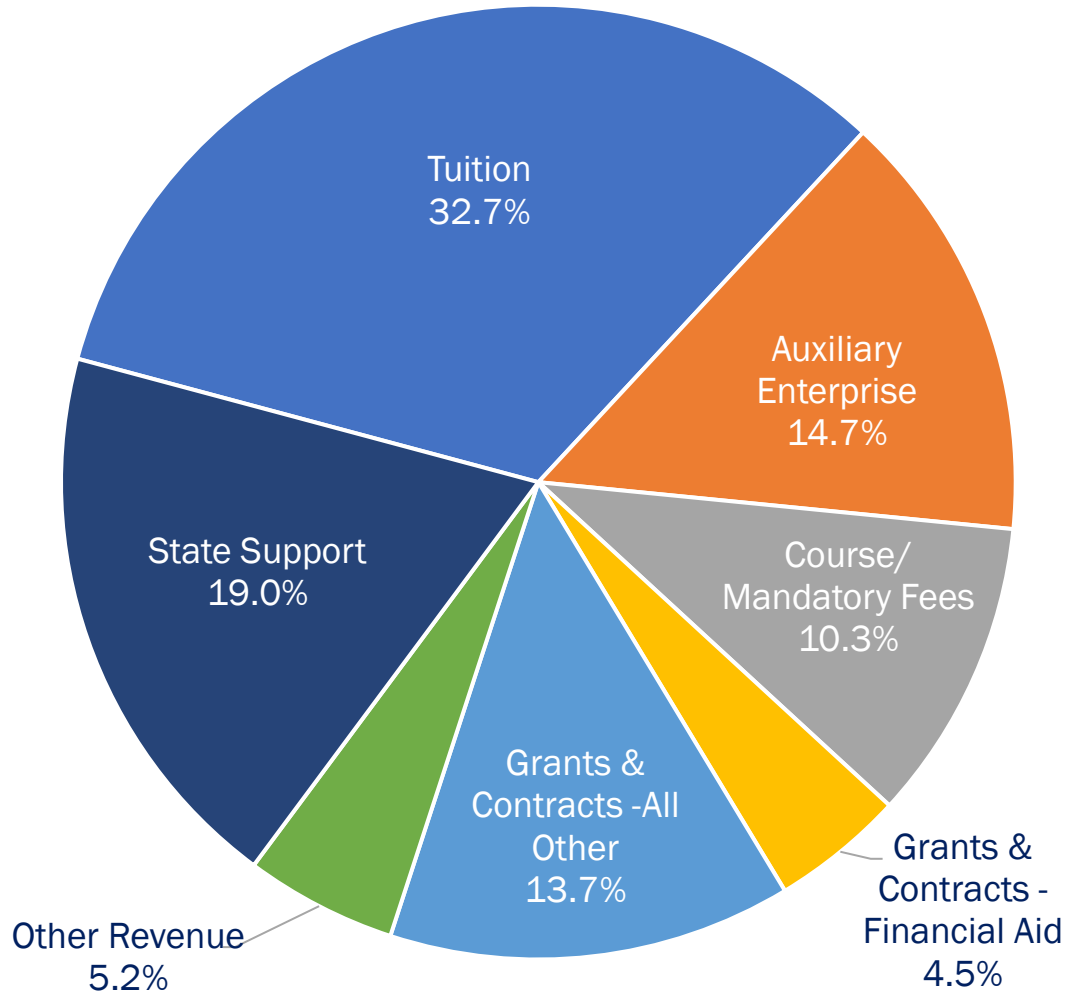


# FY24 Revenues

**\$3.0B**

**UConn \$1.5B**

**UConn Health \$1.5B**



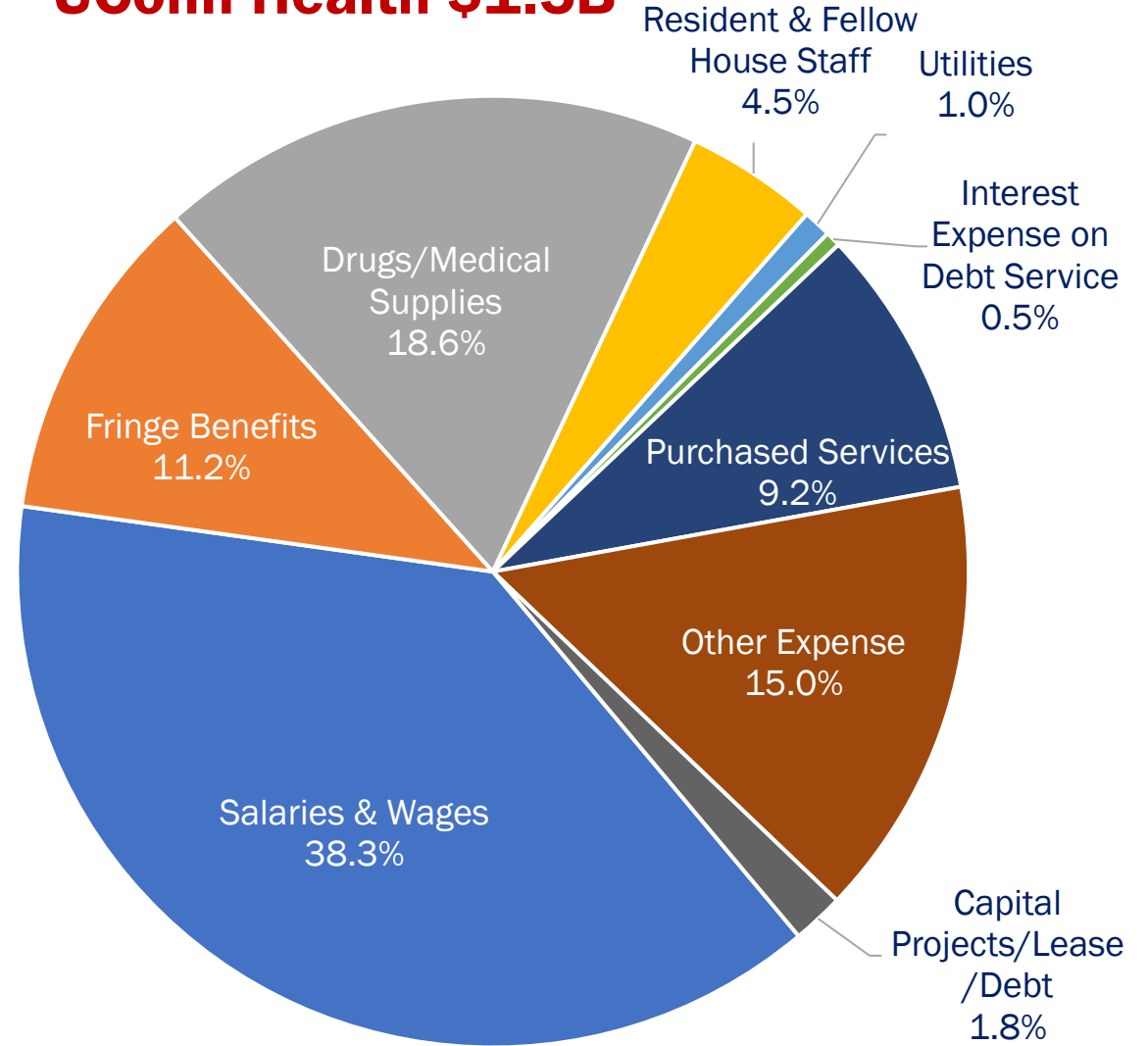
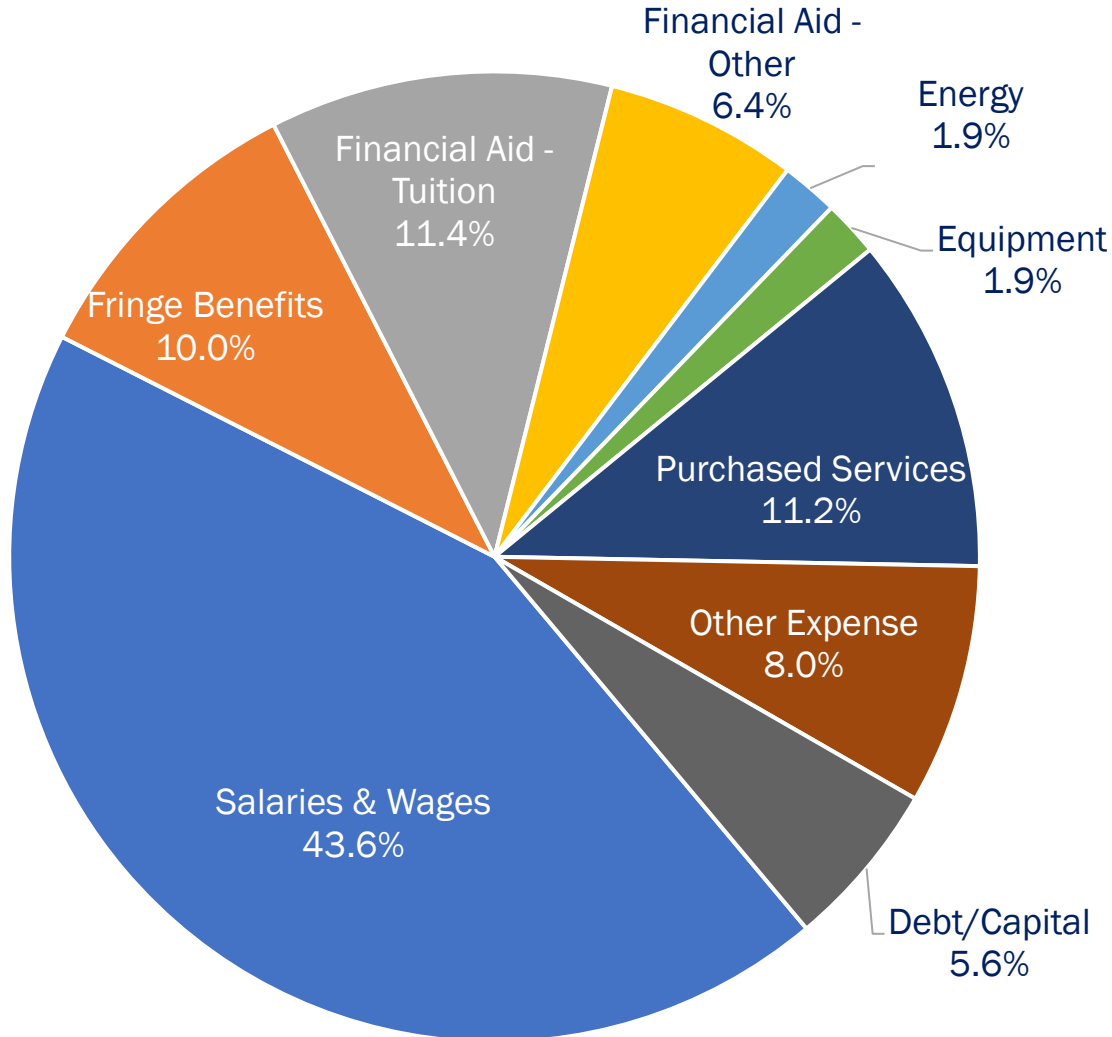
**UCONN**

**\$3.0B**

**FY24 Expenses**

**UConn \$1.5B**

**UConn Health \$1.5B**



# 5 Year UConn Financial Plan

Diversified plan to achieve financial sustainability includes:

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

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



# 5 Year UConn Health Financial Plan


Diversified plan to achieve financial sustainability includes:

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

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

# State Funding Request

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



<b>\$59.9</b>
<b>\$472.2</b>

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

# CT FISCAL CONTROLS / GUARDRAILS

## FY25 State Budget Outlook

**Virtual Town Hall  
January 24, 2024**

*Sources:*

*CT General Assembly Office of Legislative Research (OLR) and Office of Fiscal Analysis (OFA) and CT State Office of Policy and Management (OPM) Fiscal Accountability Reports FY2024-FY2028 and Presentations 12.4.23*

# CT FISCAL CONTROLS / GUARDRAILS

## THE STATE HAS SEVERAL LAWS/GUARDRAILS DESIGNED TO:

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

## WHEN WERE THE LAWS ENACTED?

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



# CT Fiscal Guardrails

## THE LAWS INCLUDE A:

### **Spending cap, limits the year-to-year growth in general budget expenditures**

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

### **Revenue cap, limits the percentage of estimated revenues that may be appropriated in any fiscal year; and**

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

### **Volatility cap, requires that certain revenues be transferred to the Budget Reserve Fund (BRF)/Rainy Day Fund.**

- Requires CT to transfer to the BRF any revenues that exceed \$3.15B from the Pass Thru Entity Tax & from taxpayers who make income tax payments quarterly. The FY24 volatility payment is estimated to be \$478M

# CT Fiscal Guardrails

## OTHER SIGNIFICANT CONDITIONS IN LAW:

- The spending cap can be overridden if the governor declares an emergency or the existence of extraordinary circumstances and at least three-fifths of the members of each house approve the extra expenditure for those purposes.
- Each of the spending and borrowing laws is subject to the “bond lock” law. Specifically, this law requires the state treasurer to include a pledge to bondholders in general obligation (GO) and credit revenue bonds issued in FYs 24 and 25 that the state will comply with these fiscal controls except under limited circumstances.

## FISCAL GUARDRAILS PERFORMANCE:

- In FY 24, Budget Reserve Fund is at \$3.3B
- Since 2020, contributions to the state’s underfunded pension plans reached nearly \$8B. \$36.6B remains unfunded in the State Employees and Teachers’ pension funds.

# State's Fiscal Challenges – FY25

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

## FY25 STATE BUDGET OUTLOOK ESTIMATES:

- The adopted state budget will be **\$30M over the spending cap**.
- Several state agencies are expected to have **deficiencies totaling more \$270M** this fiscal year which, to the extent they are recurring, may mean the FY25 budget may need to address those spending requirements.
- The **one-time funds** the state provided to UConn via federal ARPA funds expire and additional state carry forward funds **are not expected to be available**.