

Budget Model Update: Allocation of State Funding and Internal Campus Budget Models

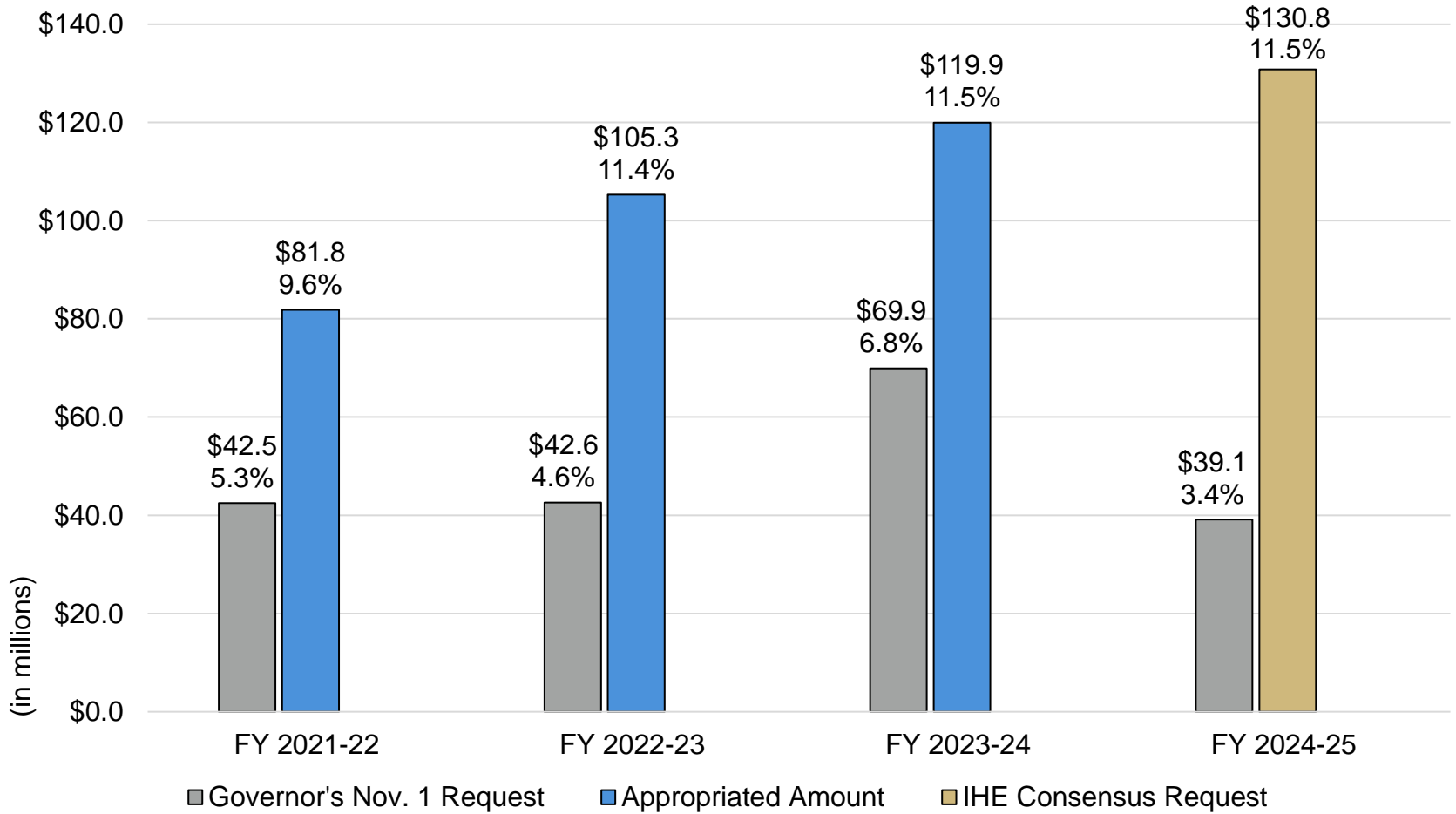
Regent Finance Committee
January 26, 2024



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Governor's Budget Request vs. Appropriated Amount (FY 2021-22 to FY 2024-25)



FY 2024-25 Governor's Request vs. Higher Education Consensus Request

Component	A	B	C = B - A
Base Core Minimum Costs	\$196.6	\$196.6	
<1> Resident Tuition (2.5%) Gov's Jan. 2 BA-02	\$33.9	\$33.9	
<2> Non-Resident Tuition (3.0% to 4.0%)	\$44.0	\$44.0	
State Funding	November Request	IHEs Request	Difference
Step 1	\$0.0	\$0.0	\$0.0
<u><1> Step 2</u>	<u>\$39.1</u>	<u>\$123.7</u>	<u>\$84.6</u>
Operating	\$39.1	\$123.7	\$84.6
<1> Financial Aid	\$9.1	\$29.0	\$19.9
Total State Funding Increase (Operating + Financial Aid)	\$48.2	\$152.7	\$104.5

<1> Incorporates Governor's assumptions from January 2, 2024, BA-02:

- 2.5% Resident Tuition Rate
- +\$5,682,756 operating funding (Step 2)
- +\$1,328,743 need based financial aid

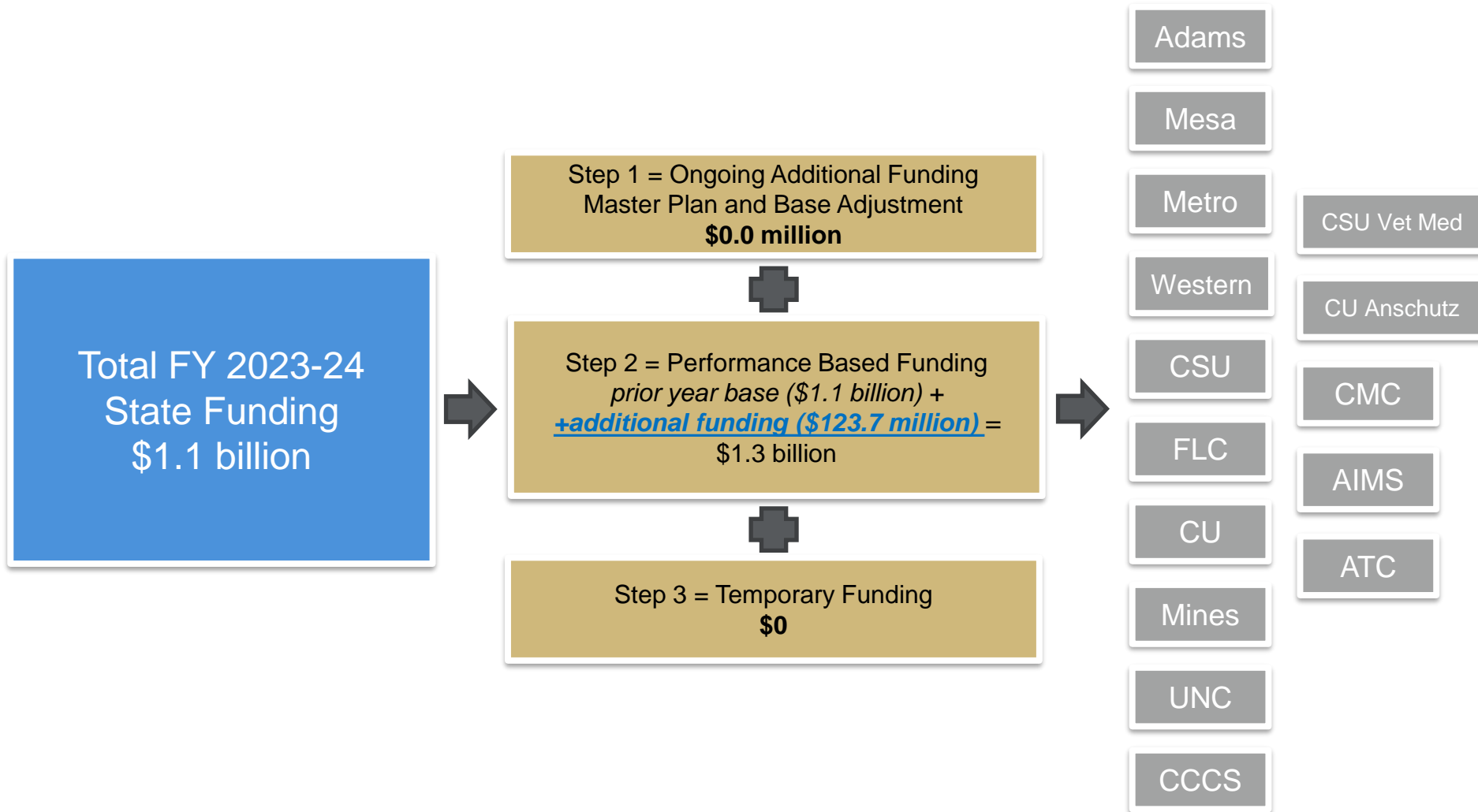
<2> Governing boards will adopt non-resident tuition policies consistent with their unique market position and is assumed at 3.5% (3.0% to 4.0%), versus 6.5% in the November request. Increasing non-resident tuition above this level would likely result in less revenue due to non-resident tuition rates already being priced near or over market.

How Are State Dollars Allocated through the Higher Education Funding Model for all Higher Education Institutions?

- Allocation based on:
 - Step 1 = Ongoing additional dollars
 - Step 2 = Performance-based funding, (Annual Base Core Minimum Costs)
 - Step 3= Temporary additional dollars
 - Never used
- Specialty Fee-For-Service contracts
 - Funding for CU Anschutz Medical School

Higher Education Funding Model – December 2023

Institution of Higher Education Consensus Request

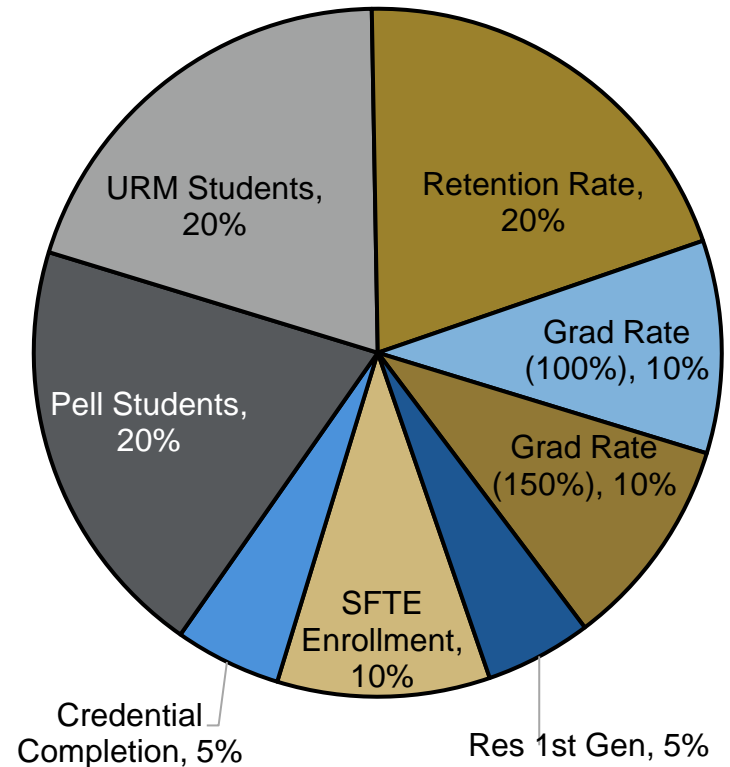


Funding flows from the state, through the funding model, and out to the IHEs.

Step 2 = Performance Based Funding

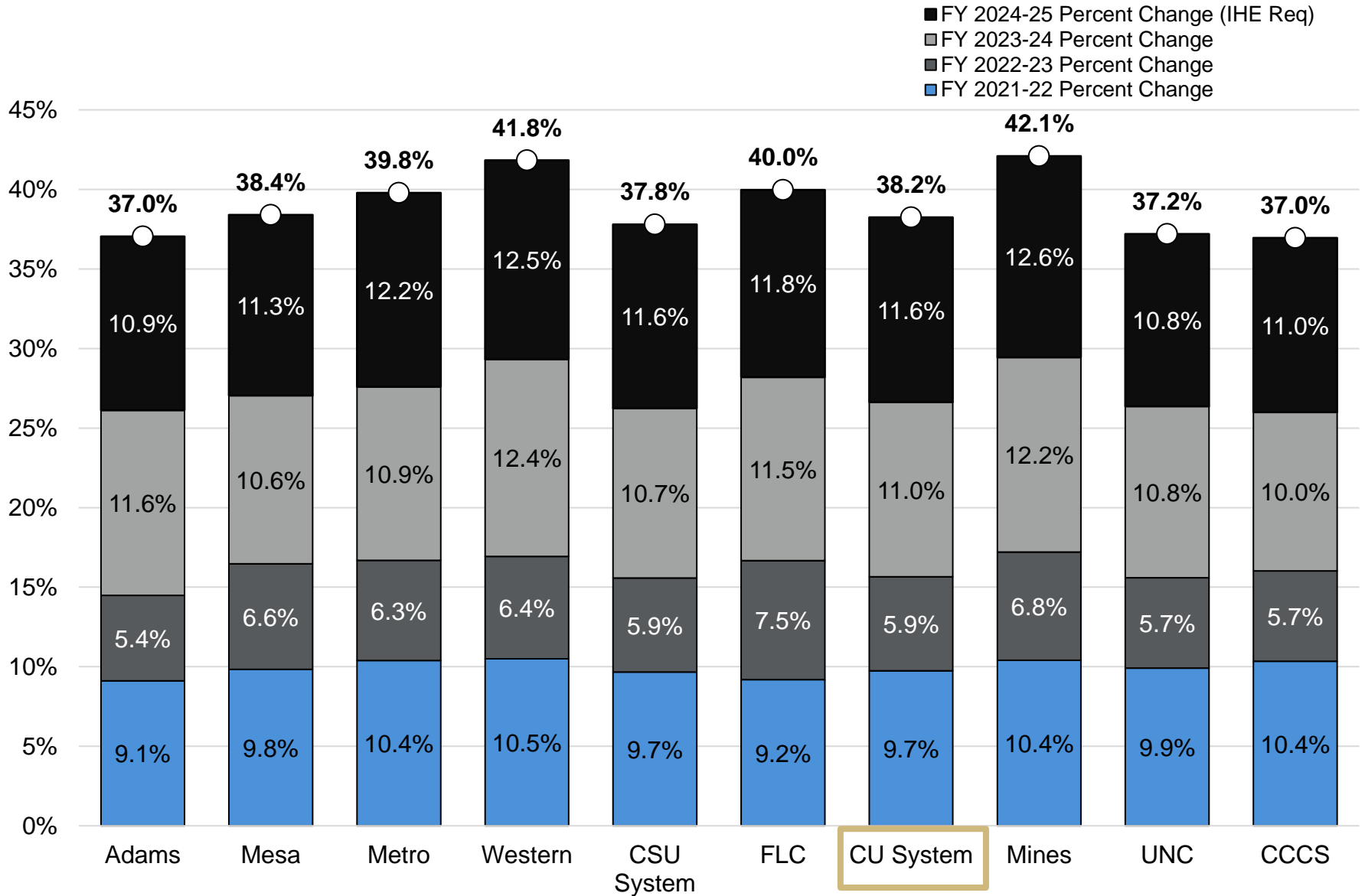
- Performance funding, core of the model
- Allocates 100% of prior year base through performance metrics
- Measures each governing board's performance over time against itself
- Annual changes have compounding effect over time

Share	FY 2023-24 Performance Metrics
10%	Resident student FTE enrollment
5%	Credential completion
20%	Resident Pell-eligible student population share
20%	Resident URM student population share
20%	Retention rate
10%	Graduation rate 100% time-to-degree
10%	Graduation rate 150% time-to-degree
5%	Resident first-generation student population share



Step 2 = Performance Based Funding

Year-Over-Year Percent Increase by Governing Board (with IHE Request)



Note: Amounts reflect FY 2024-25 IHE Joint Letter to Joint Budget Committee (12-20-2023).

Step 2 = Performance Based Funding (Governing Boards only)

	Adams	Mesa	Metro	Western	CSU	FLC	CU	Mines	UNC	CCCS	Total
Resident Enrollment 10%	11.5%	12.7%	8.8%	14.3%	11.6%	12.1%	11.5%	14.4%	7.8%	12.3%	11.5%
Credential Production 5%	11.0%	13.9%	10.2%	12.4%	11.2%	8.6%	12.5%	14.9%	9.6%	11.0%	
Pell 20%	10.4%	11.1%	15.2%	9.4%	12.3%	12.3%	12.0%	12.9%	12.6%	9.1%	
Race/Ethnicity 20%	9.3%	10.0%	13.0%	11.7%	11.9%	12.9%	10.8%	12.5%	12.0%	11.3%	
Retention Rate 20%	10.0%	11.9%	10.7%	14.4%	11.3%	10.1%	11.2%	11.7%	12.9%	11.5%	
Grad. Rate (100%) 10%	14.5%	11.2%	13.2%	13.6%	10.5%	11.9%	13.0%	10.5%	7.1%	10.8%	
Grad Rate (150%) 10%	10.9%	10.9%	11.8%	10.1%	11.1%	12.4%	11.9%	11.3%	10.3%	11.7%	
1st Generation 5%	14.9%	11.7%	10.2%	19.8%	11.7%	13.3%	11.0%	17.4%	6.8%	11.3%	
Funding Change Over FY 2023-24 (in millions)	\$2.6	\$5.1	\$11.4	\$2.5	\$15.5	\$2.2	\$25.1	\$4.2	\$6.8	\$29.5	\$105.0
Percent Change Over FY 2023-24	10.9%	11.3%	12.2%	12.5%	11.6%	11.8%	11.6%	12.6%	10.8%	11.0%	11.5%

Note: Amounts reflect FY 2024-25 IHE Joint Letter to Joint Budget Committee (12-20-2023).

CU Anschutz statutory designation as SEP results in no less than the average in Step 2, \$10.3 million (11.5%) not reflected in this table.

Step 2 = Performance Based Funding (Internal CU Allocation)

	CU Boulder	UCCS	CU Denver	CU Sub-Total	CU SEP (CU Anschutz)	CU Total
Resident Enrollment 10%	12.2%	10.5%	11.6%	11.6%	11.5%	11.6%
Credential Production 5%	11.0%	12.4%	12.6%			
Pell 20%	11.9%	11.4%	11.5%			
Race/Ethnicity 20%	11.8%	12.2%	11.2%			
Retention Rate 20%	11.7%	10.2%	12.8%			
Grad. Rate (100%) 10%	12.8%	8.2%	12.4%			
Grad Rate (150%) 10%	12.4%	10.7%	11.1%			
1st Generation 5%	11.2%	11.2%	13.2%			
Funding Change Over FY 2023-24	\$13.5	\$4.9	\$6.7	\$25.1	*\$10.3	\$35.3
Percent Change Over FY 2023-24	11.9%	10.9%	11.9%	11.6%	*11.5%	11.6%

*SEP dollars and percentages are calculated based on statewide % increase.
 Note: Amounts reflect FY 2024-25 IHE Joint Letter to Joint Budget Committee (12-20-2023).



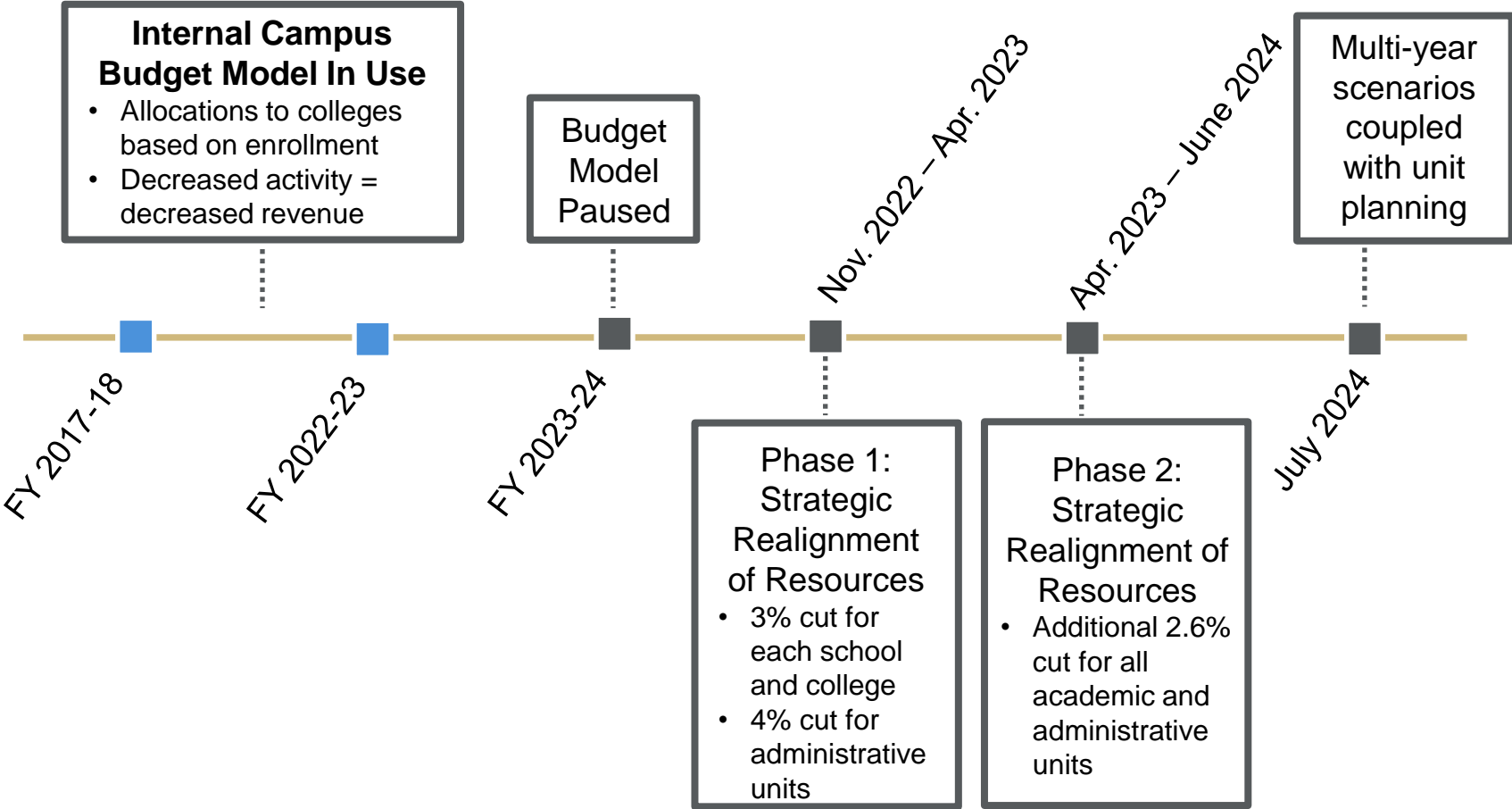
CU Denver Internal Campus Budget Model



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CU Denver: Campus Budget Model



CU Denver: Campus Budget Model Paused

- Model temporarily suspended beginning FY 2023-24
 - Incentive-based model resulted in non-viable allocations due to declining enrollment
 - Launched multi-year collaborative process to engage campus community and establish administrative and academic unit budgets that align with university's priorities
 - Work is necessary to establish new base budget assumptions
 - Updated budget model will be based on new base budget assumptions

CU Denver: Current and Future Efforts

- Continue Strategic Realignment of Resources Project
 - Similar to how campus established FY 2023-24 budget allocations, campus is engaging campus community to identify unit-specific and cross-unit budget reductions that also position campus to grow and enhance financial health
 - Elimination of vacancies
 - Staffing reorganizations
 - One-time-only campuswide voluntary retirement incentive program
 - Top priority is to stabilize enrollment and revenue
 - Meanwhile, campus anticipates continuing to realign base budgets while engaging campus community on potential changes to allocation of budgetary resources



UCCS

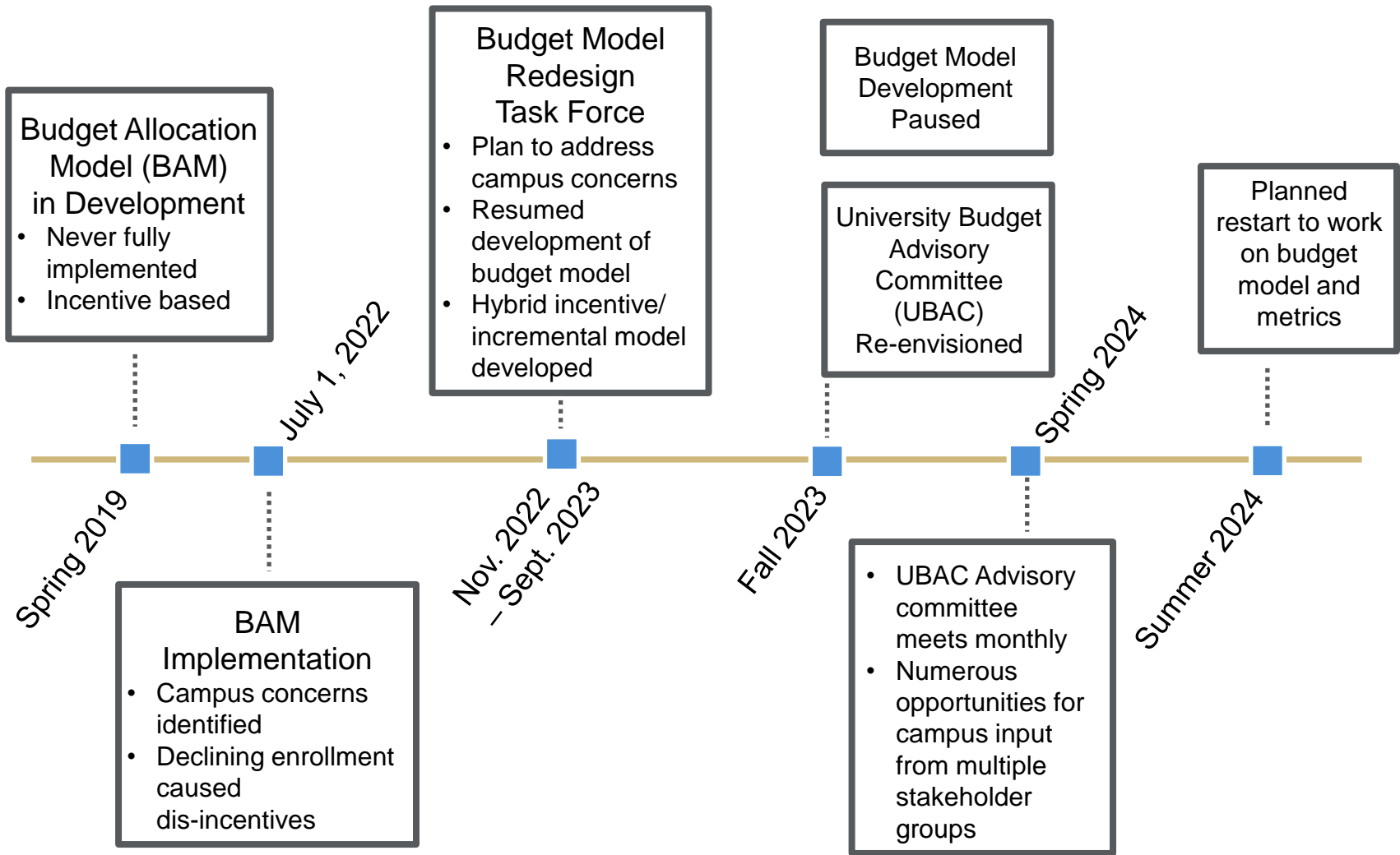
Internal Campus Budget Model



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UCCS: Campus Budget Model



UCCS: Campus Budget Model Re-Design Paused

- Budget Model Re-Design Task Force began work in November 2022 to:
 - Consider pain points and incorporate campus feedback, and
 - Make improvements to the past, never-implemented, fully incentive-based budget model
- As model developed, campus had concerns around:
 - Uncertain data quality
 - Metrics that would be applied using this data
- Model Re-Design paused Fall 2023 following recommendation from campus University Budget Advisory Committee (UBAC) and concurrence with shared governance leaders

UCCS: Campus Budget Model Re-Design Paused (Cont.)

- Decision to pause the model resulted from:
 - Need for a fresh start and time to stabilize budget
 - Declining/flat enrollment – incentive models do not work well with declining/flat enrollment
 - Campus focus first needs to be on growing enrollment and revenue
 - Data management concerns
 - Campus working toward creating more consistent and transparent processes among campus units to create trust in underlying data

UCCS: Current and Future Efforts

- Goal - To address stated campus need for budget transparency and provide budget information to constituents with varying learning styles
- Numerous ongoing, budget transparency learning opportunities
 - Monthly pre-UBAC and UBAC meetings
 - Participation from cabinet, deans, and shared governance leaders
 - Beginning in January 2024, Deans join cabinet meetings biweekly to discuss budget
 - Budget Transparency Sessions with each college and with staff council
 - Monthly Budget 101 Trainings – started July 2023
 - Budget Book Club – starting January 2024

UCCS: Current and Future Efforts (Cont.)

Strategies to balance budget:

- Evaluating ongoing campus commitments and past initiative spending in collaboration with shared governance, as part of base budget development
- Prioritizing strategic and targeted budget cuts and resource realignment using shared governance structure
- Using one-time reserves to invest in critical one-time efforts to increase enrollment, retention, and completion
 - Based on strategic enrollment management and retention plan development
- Transitioning from use of one-time fund sources to ongoing funding for various initiatives



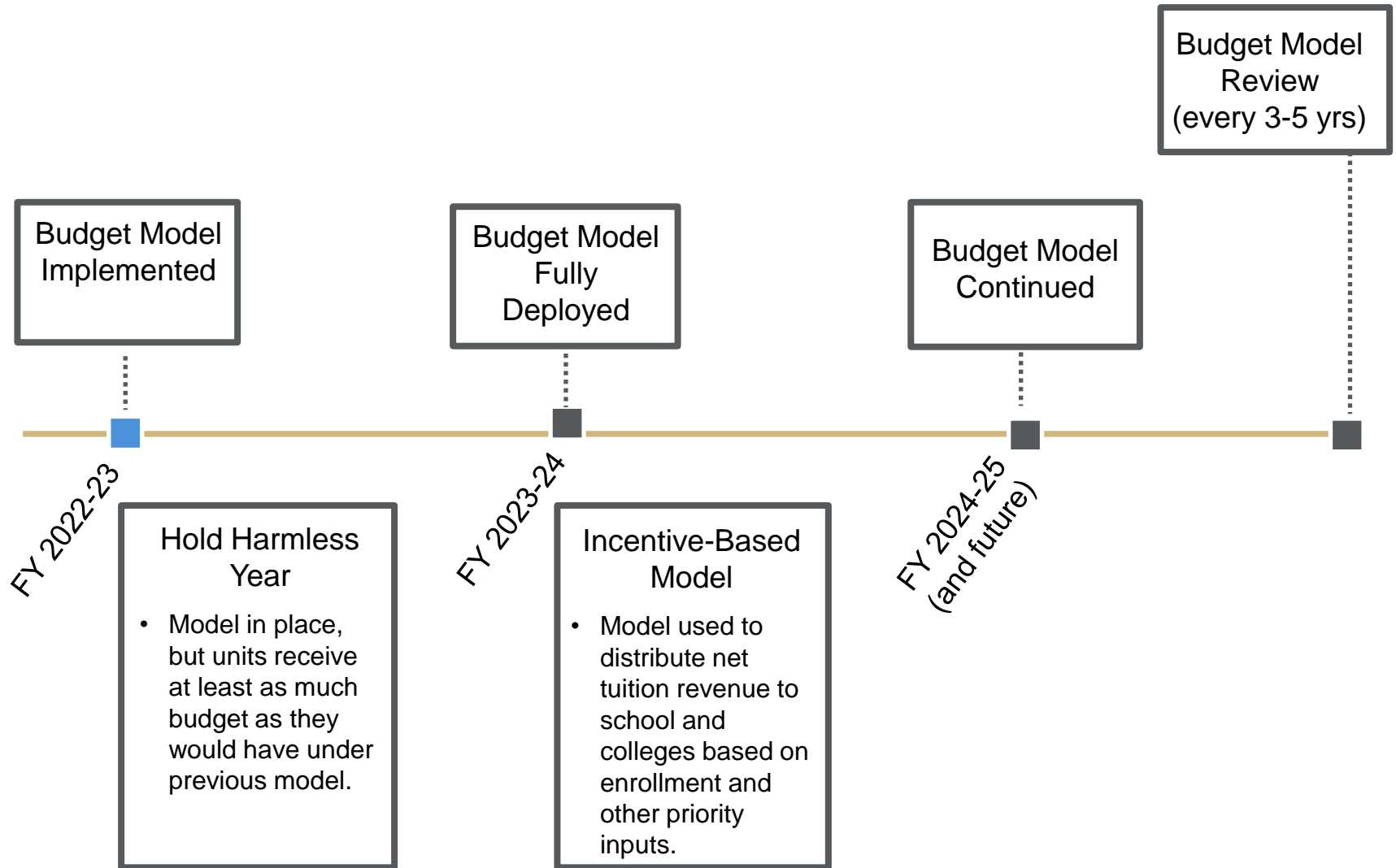
CU Boulder Internal Campus Budget Model



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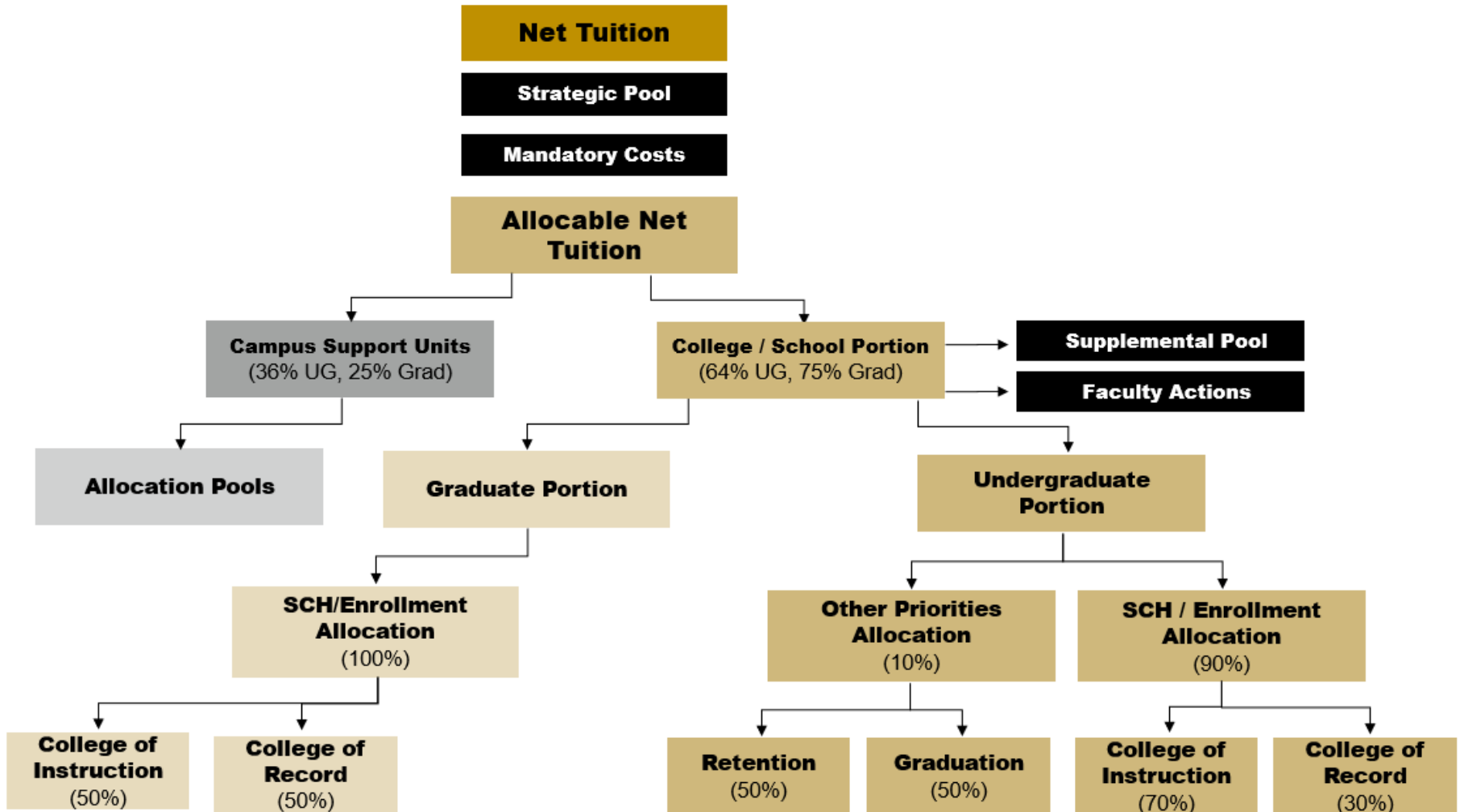
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CU Boulder: Campus Budget Model



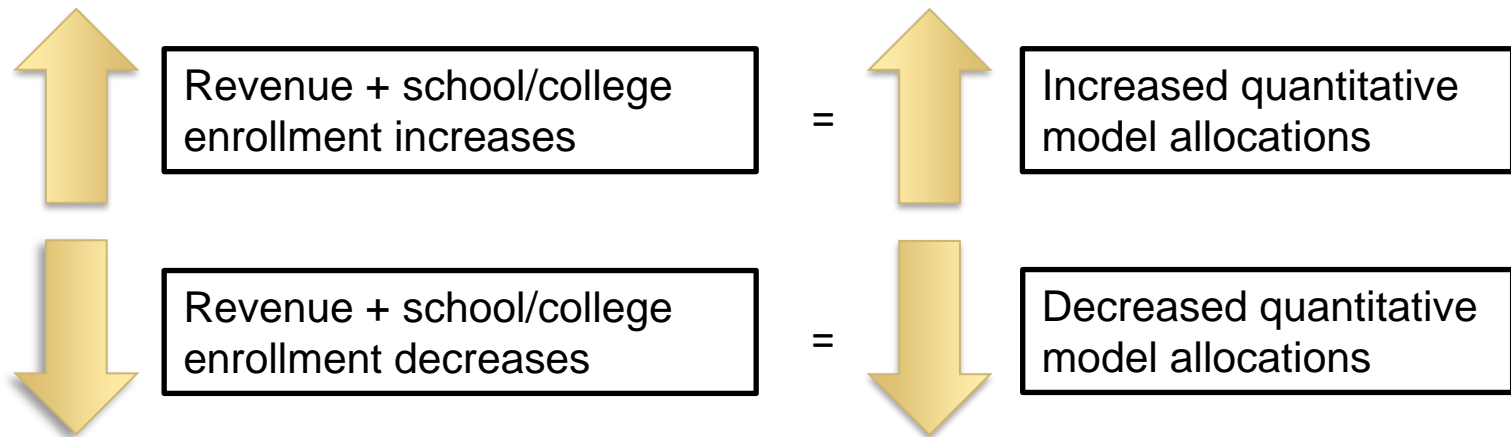
CU Boulder: Campus Budget Model (Cont.)

Initially implemented in FY 2022-23, CU Boulder's budget model is used for the annual campus budgeting process and is designed to be reviewed every 3-5 years to ensure model effectiveness.



CU Boulder: Campus Budget Model (Cont.)

- Throughout the creation of the new budget model, the campus ensured that the model supports the university's mission-aligned priorities and values.
- Funding from FY 2023-24 enrollment growth was allocated through the model, supporting campus priorities such as compensation increases, diversity, and Family and Medical Leave Insurance Program (FAMLI).
- In the event of revenue changes, the budget model flows funds in alignment with student enrollment.

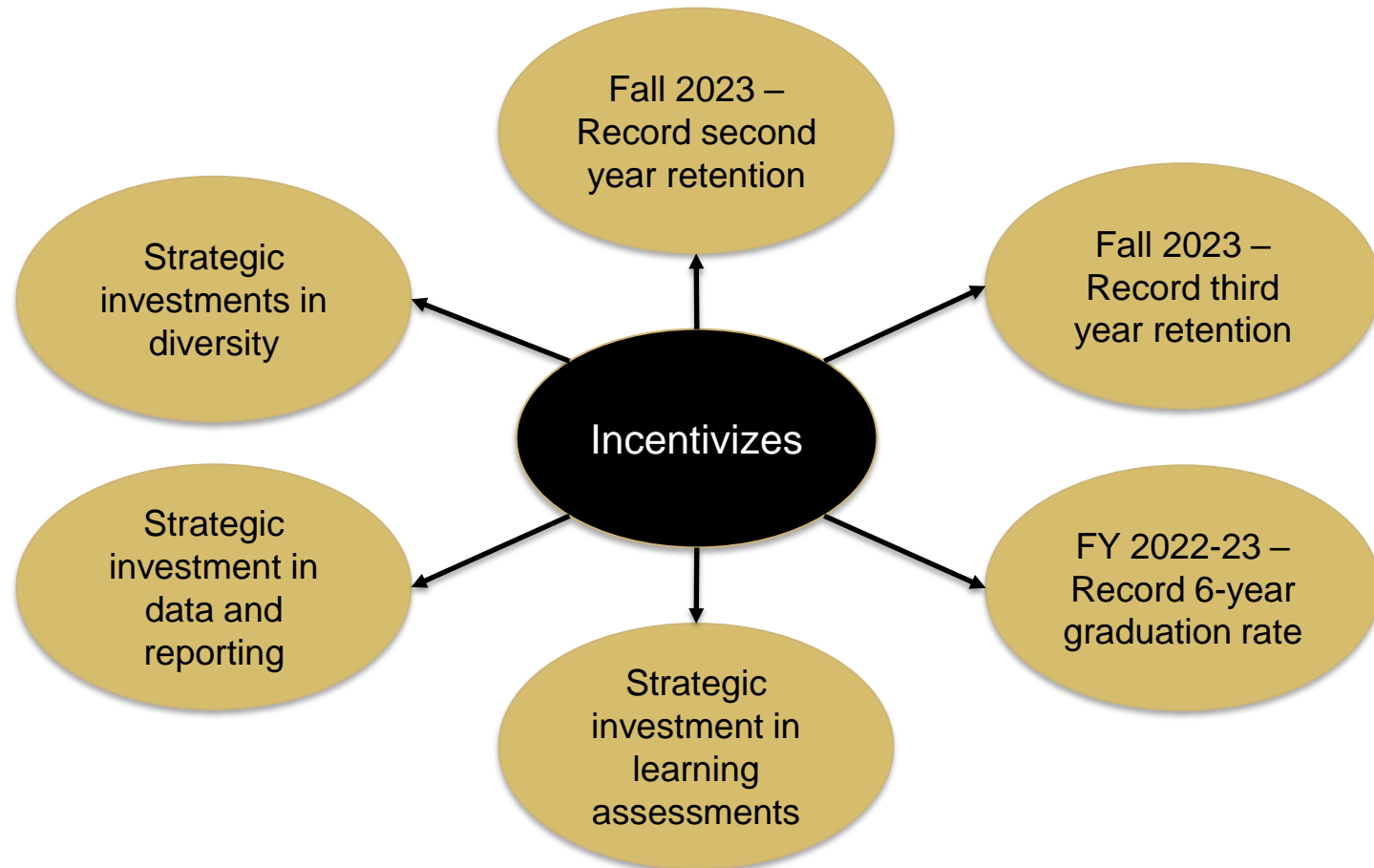


- Campus leadership can use qualitative funding mechanisms within the budget model to allocate revenue in support of mission critical needs.

CU Boulder: Campus Budget Model Incentives

By design, the budget model flows funds where there is student enrollment, instruction, retention, and graduation to support instruction and student success.

- Additional qualitative components allow campus leadership to make strategic investments.



CU Boulder: Campus Budget Model Implementation FY 2022-23 – FY 2023-24

All net tuition revenue flows through the budget model based on the allocations designed by the CU Boulder model governance structure.

- Quantitative outputs are driven by inputs for student credit hours, headcount, graduation and retention
- Changes to the annual allocation are in line with SCH / enrollment and other priority changes to the inputs noted above.

School/College	Model Allocation Change FY 2023 to FY 2024
College of Arts & Sciences	5.61%
Leeds School of Business	2.38%
School of Education	0.01%
College of Engineering and Applied Sciences	7.17%
College of Media, Communication and Information	6.52%
Colorado Law	2.43%
College of Music	8.51%
Environmental Design	8.70%



CU Anschutz Internal Campus Budget Model



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CU Anschutz: Campus Budget Model

- The campus utilizes a decentralized budget model and financial framework
 - Revenues generated by schools and colleges flow directly to them
 - Incremental State Appropriations allocated to schools and central administration through the campus budget model
 - Central administration expenses (net of centrally derived revenues, state appropriations and F&A) allocated via metrics to the schools through the campus budget model
- Entrepreneurial in nature
 - Direct flow of revenues to academic units encourages development of new revenue streams, efficiencies, and prioritization of resources
 - Every academic unit should be self sufficient

CU Anschutz: Campus Budget Model Illustration

