Internal Campus Budget Model Update

January 27, 2022
CU Denver Campus Budget Model

- Adoption of new incentive-based budget model FY 2017-18
- Aligns campus investments and resources with strategic priorities
- Incents activities that drive both student and financial success
- Driven by common and easily available sources of data
- Promotes fiscal year planning and utilization of all funding sources
- Rewards growing revenues, reallocating resources, and better containing costs
How the Budget Model results in reallocation of dollars

- Provides incentives to take advantage of new markets and opportunities for growth in any kind of revenue including enrollment, research and donations.

**Increased activity levels = Increased funding**  **Decreased activity levels = Decreased funding**
Outcomes from the Budget Model

- Enrollment trends have driven changes in the campus budget allocation since FY 2017-18, that would not have occurred in the previous budget model.

"The budget model has driven us to look at the financial performance and viability of all of our programs."
– Dean of Engineering

"The new budget model allows us to be ‘early’ entrepreneurs to address opportunities and challenges with our academic suite of programs and ultimately rewarding us for program efficiency and effectiveness."
– Dean of School of Education
UCCS

FOUR CAMPUSSES UNITED
ALL FOUR: ONE

University of Colorado
Boulder | Colorado Springs | Denver | Anschutz Medical Campus
UCCS Campus Budget Model Update

• Process initially began in FY 2018-19
• Parallel year in FY 2021-22; expected cut-over FY 2022-23
• Key areas of focus during this parallel year:
How the Budget Model results in reallocation of dollars

- Central leadership investment pool available for strategic investments
- Primary units (colleges and auxiliaries) incentivized to increase enrollment, research and other income as they get allocations directly

- Primary units incentivized to reduce direct costs to increase investment opportunities
- Direct expenses achieve enrollment and research goals increasing revenue

- Cost centers responsible for service levels that achieve strategic goals
- Primary units keep cost centers accountable for service levels
- Cost Centers reallocate funds to increase service levels
- Cost centers get to keep savings generated by process improvements

- Revenue
- Direct Expenses
- Bottom line
- Investment
- Cost Center Allocations
Anticipated Outcomes from the Budget Model

- Increased understanding of financial health of the campus and college activity
- Increased shared governance participation in budget decision-making
- Increased budget transparency

- Rewards increased enrollment, retention and academic progress
- Rewards increased research
- Rewards entrepreneurial efforts and collaboration
- Rewards cost control and resource reallocation

- Metrics aligned with strategic goal success metrics
CU Boulder
CU Boulder Campus Budget Model

- CU Boulder launched its budget model redesign project in December 2020
- Throughout spring and fall 2021, students, faculty and staff were invited to engage in opportunities to learn about the budget model redesign through stakeholder meetings, listening sessions, and open forum presentations
- The campus is currently finalizing the design phase of the budget model redesign, preparing for implementation in July 2022 (FY 2022-23)

<table>
<thead>
<tr>
<th>Phase 1</th>
<th>Phase 2</th>
<th>Phase 3</th>
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| “Alignment analysis” between guiding principles and current state across:  
  - Stakeholder interview themes  
  - Funds flows and incentives  
  - Context on historical allocations, including benchmarking  
  - Recommendations to inform future initiative activities | Determine organizational structure of the budget model  
  - Collect data and build actuals model  
  - Review decision points with Strategic Alignment Committee  
  - Further define model based upon Strategic Alignment Committee decisions  
  - Customize budget model  
  - Continue campus engagement | Determine if changes are needed to university budget processes and long-term governance  
  - Build budget templates or tools  
  - Training for university stakeholders |
How the Budget Model results in reallocation of dollars

The Boulder Campus is collaboratively redesigning our campus budget model. The current budget model has provided stability for the campus, but greater flexibility is needed for strategic investments and to respond to the rapidly changing higher education landscape, including opportunities and crises that may arise. The new model will better:

- **Align with our mission** as a comprehensive public teaching and research institution
- Enable us to respond to and anticipate current and future realities, instead of reflecting **legacy decisions** that may no longer be relevant.
- Provide enhanced **incentives to support and reward growth** in key areas, **respond to declines**, and ensure **accountability** for the use and allocation of funding.
- Increase **transparency** to enable stakeholders to better understand and engage in budgetary decision-making that furthers the university’s mission and strategic objectives.
- **Focus on the entire budget**, not just the increment.

- The budget model committees are meeting and discussing design options and weighing priority allocations that might be included in the future model.
- The budget model committees have met over the last year and are finalizing the initial prototype model and model design elements while beginning implementation readiness steps.
Initial recommendations for the allocation of net tuition to schools and colleges are shown below. Recommendations for other parts of the model including campus support units are forthcoming.
Anticipated Outcomes from the Budget Model

The guiding principles were designed to ensure that our model supports the critical priorities of CU Boulder. These principles are used throughout the decision-making process, so we remain aligned to our core values and goals.

<table>
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<tr>
<th>CU Boulder’s budget model should:</th>
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<tbody>
<tr>
<td>Reflect and execute the university’s mission and priorities</td>
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<td>Be understandable, easy to manage, logical and transparent</td>
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<tr>
<td>Promote and reward performance, success, and innovation</td>
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<td>Foster trust and responsibility around decision making</td>
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<td>Provide predictable funding to support our ability to be strategic in our planning</td>
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CU Anschutz Campus Budget Model

• The campus utilizes a budget model and financial framework referred to as “every tub on their own bottom”

• Revenues generated by schools and colleges flow directly to them

• Incremental State Appropriations are allocated to schools and central administration through the campus budget model

• Central administration expenses (net of centrally derived revenues, state appropriations and F&A) are allocated via metrics to the schools through the campus budget model

• Entrepreneurial in nature

• Schools have greater control and responsibility over their own budgets

• Encourages development of new revenue streams, efficiencies, and prioritization of resources

• Every academic unit should be self sufficient
Campus Funds Flow (Budget Model)

- Central Administration: Central Services and Administration, Academic and Student Affairs, Graduate School
  - Revenue Allocation to CSA
  - Campus Budget Model Allocation:
    - Central Admin Expenses
    - plus: Cost Pool Allocation
    - less: Central Admin Revenue
    - = Expense Allocation to Academic Units
  - Expense Allocation to Acad. Units

- Academic Units:
  - School of Medicine
  - School of Dental Medicine
  - School of Pharmacy
  - College of Nursing
  - Colorado School of Public Health

- Direct to Central Administration
- Campus Budget Model Allocation
- Direct to Academic Units

- Miscellaneous Revenue
- Tuition and Fees (Graduate School)
- Facilities & Administration (ICR)
- State Appropriations
- Tuition and Fees
- Miscellaneous Revenue
- Dental Medicine Clinic
- CU Medicine
- Auxiliary Fund
- Grants and Gifts