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

Regent Finance Committee
January 26, 2024
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

<table>
<thead>
<tr>
<th>Component</th>
<th>A</th>
<th>B</th>
<th>C = B - A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base Core Minimum Costs</td>
<td>$196.6</td>
<td>$196.6</td>
<td></td>
</tr>
<tr>
<td>&lt;1&gt; Resident Tuition (2.5%) Gov's Jan. 2 BA-02</td>
<td>$33.9</td>
<td>$33.9</td>
<td></td>
</tr>
<tr>
<td>&lt;2&gt; Non-Resident Tuition (3.0% to 4.0%)</td>
<td>$44.0</td>
<td>$44.0</td>
<td></td>
</tr>
<tr>
<td><strong>State Funding</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Step 1</td>
<td>$0.0</td>
<td>$0.0</td>
<td>$0.0</td>
</tr>
<tr>
<td>&lt;1&gt; Step 2</td>
<td>$39.1</td>
<td>$123.7</td>
<td>$84.6</td>
</tr>
<tr>
<td>Operating</td>
<td>$39.1</td>
<td>$123.7</td>
<td>$84.6</td>
</tr>
<tr>
<td>&lt;1&gt; Financial Aid</td>
<td>$9.1</td>
<td>$29.0</td>
<td>$19.9</td>
</tr>
<tr>
<td>Total State Funding Increase (Operating + Financial Aid)</td>
<td>$48.2</td>
<td>$152.7</td>
<td>$104.5</td>
</tr>
</tbody>
</table>

<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:
  o Step 1 = Ongoing additional dollars
  o Step 2 = Performance-based funding, (Annual Base Core Minimum Costs)
  o Step 3 = Temporary additional dollars
    ▪ Never used

• Specialty Fee-For-Service contracts
  o Funding for CU Anschutz Medical School
Funding flows from the state, through the funding model, and out to the IHEs.

Note: Dollar amounts in Step 2 reflect FY 2024-25 IHE consensus request to Joint Budget Committee (12-20-2023).
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

<table>
<thead>
<tr>
<th>Share</th>
<th>FY 2023-24 Performance Metrics</th>
</tr>
</thead>
<tbody>
<tr>
<td>10%</td>
<td>Resident student FTE enrollment</td>
</tr>
<tr>
<td>5%</td>
<td>Credential completion</td>
</tr>
<tr>
<td>20%</td>
<td>Resident Pell-eligible student population share</td>
</tr>
<tr>
<td>20%</td>
<td>Resident URM student population share</td>
</tr>
<tr>
<td>20%</td>
<td>Retention rate</td>
</tr>
<tr>
<td>10%</td>
<td>Graduation rate 100% time-to-degree</td>
</tr>
<tr>
<td>10%</td>
<td>Graduation rate 150% time-to-degree</td>
</tr>
<tr>
<td>5%</td>
<td>Resident first-generation student population share</td>
</tr>
</tbody>
</table>
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)

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

<table>
<thead>
<tr>
<th>Category</th>
<th>CU Boulder</th>
<th>UCCS</th>
<th>CU Denver</th>
<th>CU Sub-Total</th>
<th>CU SEP (CU Anschutz)</th>
<th>CU Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resident Enrollment 10%</td>
<td>12.2%</td>
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<td></td>
</tr>
<tr>
<td>Funding Change Over FY 2023-24</td>
<td>$13.5</td>
<td>$4.9</td>
<td>$6.7</td>
<td>$25.1</td>
<td>*$10.3</td>
<td>$35.3</td>
</tr>
<tr>
<td>Percent Change Over FY 2023-24</td>
<td>11.9%</td>
<td>10.9%</td>
<td>11.9%</td>
<td>11.6%</td>
<td>*11.5%</td>
<td>11.6%</td>
</tr>
</tbody>
</table>

*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: Campus Budget Model

Internal Campus Budget Model In Use
- Allocations to colleges based on enrollment
- Decreased activity = decreased revenue

Phase 1: Strategic Realignment of Resources
- 3% cut for each school and college
- 4% cut for administrative units

Phase 2: Strategic Realignment of Resources
- Additional 2.6% cut for all academic and administrative units

Budget Model Paused

Nov. 2022 - Apr. 2023
Apr. 2023 - June 2024
Multi-year scenarios coupled with unit planning
CU Denver: Campus Budget Model Paused

• Model temporarily suspended beginning FY 2023-24
  o Incentive-based model resulted in non-viable allocations due to declining enrollment
  o 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
  o 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
  o 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
Budget Allocation Model (BAM) in Development
- Never fully implemented
- Incentive based

Budget Model Redesign Task Force
- Plan to address campus concerns
- Resumed development of budget model
- Hybrid incentive/incremental model developed

University Budget Advisory Committee (UBAC) Re-envisioned
- UBAC Advisory committee meets monthly
- Numerous opportunities for campus input from multiple stakeholder groups

Planned restart to work on budget model and metrics
UCCS: Campus Budget Model
Re-Design Paused

• Budget Model Re-Design Task Force began work in November 2022 to:
  o Consider pain points and incorporate campus feedback, and
  o Make improvements to the past, never-implemented, fully incentive-based budget model

• As model developed, campus had concerns around:
  o Uncertain data quality
  o 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:
  o Need for a fresh start and time to stabilize budget
  o Declining/flat enrollment – incentive models do not work well with declining/flat enrollment
    • Campus focus first needs to be on growing enrollment and revenue
  o 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
  o 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
  o Budget Transparency Sessions with each college and with staff council
  o Monthly Budget 101 Trainings – started July 2023
  o 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
CU Boulder: Campus Budget Model

- **Budget Model Implemented**
  - FY 2022-23
  - Hold Harmless Year
    - Model in place, but units receive at least as much budget as they would have under previous model.

- **Budget Model Continues**
  - FY 2023-24
  - Incentive-Based Model
    - Model used to distribute net tuition revenue to school and colleges based on enrollment and other priority inputs.

- **Budget Model Continued**
  - FY 2024-25 (and future)

- **Budget Model Review**
  - (every 3-5 yrs)
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.
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.

- Strategic investments in diversity
- Strategic investment in data and reporting
- Strategic investment in learning assessments
- Fall 2023 – Record second year retention
- Fall 2023 – Record third year retention
- FY 2022-23 – Record 6-year graduation rate
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.

<table>
<thead>
<tr>
<th>School/College</th>
<th>Model Allocation Change FY 2023 to FY 2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>College of Arts &amp; Sciences</td>
<td>5.61%</td>
</tr>
<tr>
<td>Leeds School of Business</td>
<td>2.38%</td>
</tr>
<tr>
<td>School of Education</td>
<td>0.01%</td>
</tr>
<tr>
<td>College of Engineering and Applied Sciences</td>
<td>7.17%</td>
</tr>
<tr>
<td>College of Media, Communication and Information</td>
<td>6.52%</td>
</tr>
<tr>
<td>Colorado Law</td>
<td>2.43%</td>
</tr>
<tr>
<td>College of Music</td>
<td>8.51%</td>
</tr>
<tr>
<td>Environmental Design</td>
<td>8.70%</td>
</tr>
</tbody>
</table>
CU Anschutz
Internal 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