

**CU Boulder
Budget Model Design**


January 11, 2023





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Presenters



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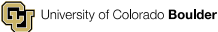


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Agenda

Feel free to ask questions throughout the presentation and we hope to also have time at the end for questions and discussion.

- Introduction to the CU Boulder model process and principles
- Core Funds Allocations (formula-driven allocations)
- Discretionary Allocations (non-formulaic allocations)
- Other Key Design Decisions Impacting the Model
- Questions/Discussion



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Project Background & Stakeholder Engagement

The redesign began in December 2020. To ensure the model was built to serve the needs of the University, stakeholders from across CUB were engaged throughout the process.

Initiative Background:

- Campus stakeholders began voicing a desire for a new CUB budget model as early as January 2017.
- Over the next year and a half, the implementation of programs such as Academic Futures, Foundations of Excellence, IDEA Plan, Strategic Facilities Visioning, and Financial Futures emphasized the need for a new comprehensive budget model
- By Fall 2019, campus conversations about a new budget model started, with the requests for a new model intensifying after the impacts of COVID-19 were clear.
- The Budget Model Redesign project officially kicked off in December 2020.

11 Executive Sponsors Meetings

27 Strategic Alignment Committee Meetings


29 Design Committee Meetings

Stakeholder Engagement Sessions:


- 48+ Stakeholder interviews and listening sessions
- Presentations to each school/college
- Multiple Coffee and Budget Sessions
- 8 Thematic Listening Sessions
- Biweekly SAC Open Office Hours
- 3 separate meetings with each individual School/College to review budget model details
- Ongoing updates to shared governance - BFA, AUSAAC, BFA, BFC, etc.
- Various presentations to FLC and other university groups

Direct Stakeholder Involvement:

Over 50 CUB individuals sat on one of the 3 project committees.




This figure is only representative of those individuals who sat on a committee. A significant number of additional stakeholders were engaged throughout the process via various sessions provided.



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Budget Model Redesign Considerations

- New budget models **do not** create new resources; therefore, modifications are zero-sum
- A well-designed model alone **does not** make (i.e., automate) all funding decisions
- Illustrative funding models almost always create an impression that the grass is greener
- Innovation **does not need to equate to complexity.** Excess budget model complexities can result in the model collapsing under its own weight
- **Budget models are management tools** in supporting leaders in managing their operations by informing decisions with an understanding of their financial impact. They are **not “silver bullets”** and on their own will not accomplish strategic goals for the institution
- **There is no “one size fits all” budget model.** The future budget model will be customized to reflect our unique culture and the priorities of CU Boulder, while building buy-in within our university community




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Budget Model Future State Guiding Principles

Below are the guiding principles of the overall budget model redesign project. These principles have guided the recommendations set forth in the following slides.

CU Boulder's budget model should:	Element
Reflect and execute the university's mission and priorities	• Mission / Strategy
Be understandable, easy to manage, logical and transparent	• Simple / Transparent
Promote and reward performance, success, and innovation	• Incentives / Innovation
Foster trust and responsibility around decision making	• Accountability / Responsibility
Provide predictable funding to support our ability to be strategic in our planning	• Planning

DRAFT & CONFIDENTIAL | INITIAL RECOMMENDATION TO SAC | All 2's reflect meeting using P/CO access only



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Model Introduction

The SAC Glossary Subcommittee provided underlying principles regarding the allocation of net tuition within the model.

- All tuition belongs to the campus, not to individual units, and is a chief source of funding that underlies the ongoing operations of our campus.
- The allocation of net tuition must recognize costs, reward successes, and spur innovation and expansion.
- Each school, college, or campus support unit will receive an allocation from the campus comprised of up to three sources:
 - A portion will be derived from metrics that the campus decides appropriately reflect costs, recognize accomplishments, and promote needed actions.
 - Another from shared value-driven decisions that the campus agrees appropriately reflect our mission, our strategic priorities, and our goals.
 - And finally, one part will fund investments with campus-wide impact.
- There are many reasons why different colleges and schools will have variable costs, such as faculty salaries, class sizes, teaching loads, and various lab, teaching, and research spaces. These variables change over time and should be accounted for in the regular review of Core Funds and Supplemental Funds that are allocated to the various schools and colleges.
- The model also recognizes the importance of campus support units to provide services, programs and infrastructure within the university ecosystem, and enables funding to respond flexibly to revenue shifts along with the schools and colleges.



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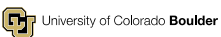
SAC Full Design Recommendation



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SAC Full Design Recommendation Review

Core Funds Allocation



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Mandatory Costs (1/1)

Specific mandatory costs have been identified. These costs change on an annual basis without institutional decision-making and need to be accounted for in the model.

These costs are unique because...

- Cost increases are often driven externally vs. internal management decisions
- Services/benefits do not belong to a specific unit or office
- Costs generally increase annually and require significant operating changes to avoid
- **These costs include:** Utilities, ICCA (Intercampus Cost Allocation), Library Licensing & Materials, Deferred Maintenance, Insurance and Legislative Requirements.

SAC Recommendation

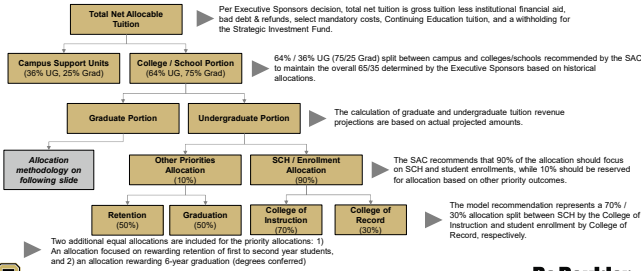
- The Strategic Alignment Committee recommends accounting for the below mandatory cost increases in the **gross-to-net Tuition calculation off-the-top, prior to allocating out any tuition.**
- The rationale behind this recommendation is mainly driven by the fact that these are **university-wide costs**, and there is not a clear allocation methodology (e.g. Square foot, FTE, etc.)
- The **current base amount** for these costs should remain as part of the 35% and only the incremental change in future years should be included in the net calculation.

Allocable Net Tuition is the balance of tuition after institutional aid, bad debt, refunds, mandatory costs, and the Strategic Fund withholding. **Allocable Net Tuition** is the pool of funding that flows into the model for allocation to units through the formulaic and discretionary pools.

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Core Funds Allocation: Net UG Tuition Allocation (1/1)

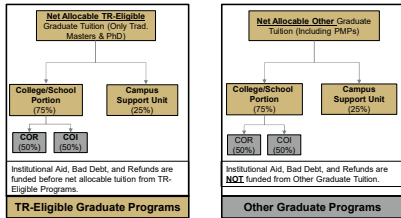
This flow of funds outlines the journey of net tuition dollars through the model's allocation methodology.



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Core Funds Allocation: Net Grad Tuition Allocation (1/1)

All graduate tuition to be allocated is separated into two groupings to reflect the different types of graduate programs across the University: Tuition Remission Eligible (TR) & Other (Law & PMPs).





The distinction between TR-Eligible Programs and Other Graduate Programs ensures only programs that are eligible for the benefits of the non-resident graduate tuition remission (TR), administered by the Provost's Office, are providing funding for the non-resident tuition remission budget.

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SAC Full Design Recommendation Review

Discretionary Allocations

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Allocable Net Tuition ^(1/1)

Allocable Net Tuition will be shared between the schools/colleges and the campus support units/general campus costs.

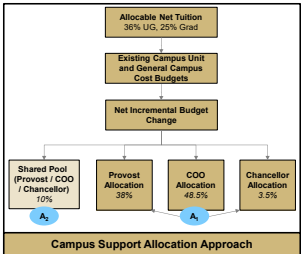
65% School Allocations:	35% Support Unit & Campus Cost Allocations:
<ul style="list-style-type: none"> The overall share of 65% to schools/colleges and 35% to support units/general campus costs was established by the Executive Sponsors. UG Allocable Net Tuition will be split 64% to the Schools/Colleges and 36% to the Campus. Grad Allocable Net Tuition will be split 75% to the Schools/Colleges and 25% to the Campus. To more closely align the graduate tuition school/campus split with existing program structures (i.e.: PMP revenue sharing), the graduate tuition split was increased to 75/25 (from the original 65/35 split). <ul style="list-style-type: none"> However, because the overall 65/35 split must be maintained to meet the hold harmless principle and preserve the historical balance of net tuition funding allocations, the UG tuition split needed to shift to 64/36. 	<ul style="list-style-type: none"> The allocation for the Campus Support Units and general campus costs will fund existing allocations and then be allocated through four pools managed by campus leadership. New funds, or fund reductions, will be allocated in 4 pools to the Chancellor, Provost, COO, and a Shared Allocation pool. The three individual pools (Chancellor, Provost, and COO) will be allocated based on the individual discretion of the respective leaders. The Shared Allocation Pool will be allocated by joint decision-making from the Chancellor, Provost, and COO. During the "hold harmless" year in FY23, a process will need to be developed for how units request new campus funding. Strategic Funds, Individual Support Unit Funds, and the Shared Pool will be available to fund new requests from campus support units.

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Support Unit and Campus Costs Allocation ^(1/2)


The allocation for the Campus Support Units and general campus costs will fund existing allocations and then be allocated through four pools managed by campus leadership.



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graph TD
    A[Allocable Net Tuition  
36% UG, 29% Grad] --> B[Existing Campus Unit  
and General Campus  
Cost Budgets]
    B --> C[Net Incremental Budget  
Change]
    C --> D1[Shared Pool  
(Provost / COO /  
Chancellor)  
10%]
    C --> D2[Provost  
Allocation  
38%]
    C --> D3[COO  
Allocation  
48.5%]
    C --> D4[Chancellor  
Allocation  
3.5%]
    D1 --- E[Campus Support Allocation Approach]
    D2 --- E
    D3 --- E
    D4 --- E
          
```

- New funds, or fund reductions,** will be allocated in 4 pools to the Chancellor, Provost, COO, and a Shared Allocation pool.
- A₁** The three individual pools (Chancellor, Provost, and COO) will be allocated based on the **individual discretion** of the respective leaders.
- A₂** The shared allocation pool will be allocated by **joint decision-making** from the Chancellor, Provost, and COO.
- The current recommendation of **10% of incremental changes** is a suggested starting point and the final allocation into the shared pool will be **determined by the campus leaders**.
- It is recommended that a clear and transparent process be established by which **support units may request funds** for the four pools.

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Variable Inputs (2/2)

The SAC proposes the following approaches to addressing summer revenues within the model.

Summer Revenue:

- Approach: Projected Summer Revenue
 - This would best align revenues with expenses by allocating the summer revenue in the fiscal year where the majority of expenses are incurred.
 - This will require a revision to the current forecasting process and will rely on consistent tracking of tuition revenue by term.

True-up:

- Approach: Complete a true-up report and allocations for summer and fall revenues and spring forecast post-census in fall, likely October.
 - This would allow as much time as possible for schools/colleges to plan the use of their funds and distribute funds in alignment with the timing of the new merit process.

The SAC would like to work on developing the competencies needed to support a more responsive model and commit to reassess the decision in 3-5 years whether to change the model timing variables.



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Academic Support Units (1/1)

In the proposed design recommendations, there are units included in the "Support Unit" bucket engaged in for-credit interdisciplinary or multi-disciplinary instructional delivery.

- The SAC recommends including a mechanism for units meeting specific criteria in the "Support Unit" bucket to be eligible to request and receive Supplemental Funding in support of strategic instructional activities, direct student success, and faculty actions funding for faculty personnel changes (P&T/FDAP/Retentions).
- There will not be a direct formulaic allocation to these units, rather an opportunity to provide resources through the Supplemental Funds process. The existing budget for these units, merit increases, and other routine funding would be provided through the 35% of the budget model allocation.
- This approach balances model simplicity with flexibility, by not creating "hybrid units" while recognizing the contribution to instructional activities.
- Criteria proposed: General Fund academic and research support units overseen by a dean and engaged in for-credit interdisciplinary or multi-disciplinary instructional delivery.
- Units included: Institutes, Undergraduate Education, Graduate School, and Libraries.



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Differential Tuition (1/1)

The University charges both undergraduate and graduate students different tuition rates based on their primary major.

Background

- The campus charges students different tuition rates, in part, to recognize the varying costs of instruction across the schools/colleges.
- To recognize this within the model, the SAC determined it was crucial to include both undergraduate and graduate differential tuition rates.

SAC Recommendation

- The SAC recommends employing a weighted-SCH/HC approach to incorporate differentials within the model.
- This approach would apply weighting to SCH and headcount for each school/college. Weighted SCH/HC will direct a greater proportion of tuition allocation to colleges with higher tuition rates within the regular tuition allocation methodology.
- Weighting is calculated using the lowest tuition rate (often A&S) to set as a base. From there, all other schools have their weighting calculated as a ratio above the lowest tuition rate.
 - Weighting for both undergraduate and graduate differentials reflects the campus's current resident mix (UG: 89/11, Grad: 55/45 Res/Non-Res).



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Double Majors & Minors (1/1)

The College of Record headcount will be determined by counting the majors and minors of students.

Background

- The preliminary model used primary major to calculate the College of Record allocation.
- The SAC recognizes that the assignment of primary major may not ensure that sufficient allocations are directed to all major schools/colleges for the cost of instruction and support they provide to students and for delivering major programs.

SAC Recommendation

- The SAC recommends that cross-college and cross-divisional for A&S multiple major students be counted as **1.0 for each major** in the headcount for the COR allocation.
- The SAC recommends that cross-college minor students be counted as **0.25 for minors** in the headcount for the COR allocation.
- While the SAC conversation focused on modeling and approaches for undergraduate double majors/minors, there are **82 graduate students with double majors**.
 - The SAC recommends following a consistent approach so cross-college multiple major graduate students would also be counted as **1.0 for each major** in the COR allocation.

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Diversity, Equity, & Inclusion (DEI) (1/1)

One of the priorities defined by the SAC is to clearly identify how diversity, equity and inclusion goals can be better supported through the campus's budget model.

Background

- The new model supports the goals of DEI via the following:
- Central resource funds:** including Supplemental fund, Strategic fund, and funding for campus units — create flexibility to make discretionary allocations in the interest of DEI and other core components of the university's mission.
 - Central funds can be used for material, targeted investments in DEI scholarships, hires, and/or support infrastructure to support initiatives.
 - FDAP:** The Faculty Diversity Action Plan will be continued through the Faculty Actions pool in the new model to continue support for diverse hires. This will eliminate the Faculty Vacancy Reallocation sweep and replace it with an ongoing funding mechanism.
 - Allocations provide additional resources to schools and colleges for growing SCH, student headcounts, retentions, and graduations.**

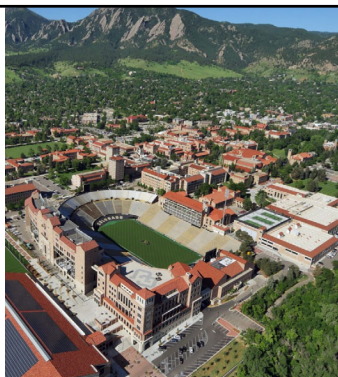
SAC Recommendation

- Commitment of \$5M annually will be supported by the model with continuing funds allocated from the Strategic Fund. In FY23, \$1M in continuing funds will be allocated to DEI from the Strategic Fund.
- The Faculty Diversity Action Plan (FDAP) will be supported by an off-the-top Faculty Personnel Actions pool to provide consistent and stable funding.
- Guidelines for discretionary funds will include DEI metrics in support of decision-making.
 - The Provost's Office (Ann Schmieging, Danielle Brunner, etc.) will work with stakeholders to establish the process, criteria, and guidelines that will support allocation recommendations for the Supplemental Fund going forward in FY26 and beyond. One of the criteria will be student and faculty DEI metrics.
 - The 10% Shared Pool will be used in part to support DEI efforts within campus support units.

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SAC Full Design Recommendation Review

Questions and Discussion



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