CU Boulder
Budget Model Design

August 21, 2023

University of Colorado **Boulder**

Presenters

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Agenda

Feel free to ask questions throughout the presentation. We will also have time at the end of each section of our presentation.

- **Project Overview: Principles, Phases, Parameters and Project Governance**
- **Questions/Discussion**
- **Executive Summary of CU Boulder’s Model**
  - **Core Funds Allocations (Formula-driven allocations)**
  - **Qualitative Allocations (Non-formulaic allocations)**
- **Questions/Discussion**

Budget Model Future State Guiding Principles

These principles, based on stakeholder feedback, guided our budget recommendations:

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

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

Budget model redesign phases

We took phased approach toward achievement of project goals and deliverables:

Diagnostic

Phase 1

- "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
- Begin campus communications and engagement

Solution Design

Phase 2

- Determine organizational structure of the budget model
- Collect data and build actuals model
- Engage Strategic Alignment Committee (SAC) on decision points
- Further define model based on SAC decisions
- Customize budget model
- Continue campus communications and engagement

Implementation

Phase 3

- Determine if changes are needed to university budget processes and long-term governance
- Define governance roles and responsibilities
- Identify/build budget templates or tools
- Training for university stakeholders

We are currently in the Implementation phase of the Budget Model Redesign.

Budget Model Redesign Decision Parameters

As part of the early work of the Budget Model Redesign, the following design parameters were set by Executive Sponsors

- The Budget Model Redesign will focus on the allocation of net tuition (gross tuition – financial aid).
- Legacy revenue sharing agreements will be evaluated as part of the redesign.
- Indirect Cost Recovery (ICR) distributions, including Department Allocation of Indirect Cost Recovery (DAICR), will not be included in the new allocation.
- State funding will be excluded.
- The proportionate allocation of net tuition to academic schools and colleges vs. academic and administrative support units will remain at roughly 65% to schools and colleges and 35% to academic and administrative support units.
- A strategic fund must be included in the model to provide pooled funds for strategic investment.
- Historical budgets will be funded in Year 1 of model implementation (FY23), meaning units will be "held harmless" from the impact of new allocation methodologies upon the initial adoption of the new model.
- *Differential tuition (weighted credit hours) will not be included in the model and will be addressed through comprehensive or "subvention" funding.*

Governance Structure and Associated Committees

The SAC will charge the Design Committee with their specific tasks and will review Design Committee recommendations.

Executive Sponsors

- Philip P. DiStefano, Chancellor
- Russell Moore, Provost and EVC for Academic Affairs
- Patrick O'Rourke, Interim EVC and Chief Operating Officer
- Carla Ho'a, Chief Financial Officer
- Ann Schmiesing, EVP for Academic Resource Management
- Bob Ferry/Tiffany Beechy, Chair, Boulder Faculty Assembly

Using all the information and recommendations provided, the Executive Sponsors make the final decisions.

Executive Sponsors

Executive Sponsors deliver charge to SAC.

Reviews and discusses Design Committee recommendations and delivers final recommendations to the Executive Sponsors.

Strategic Alignment Committee (SAC)

- Makes high level design decisions.
- Delegates design decisions to Design Committee.
- Ensures alignment with mission, strategic priorities

Provides recommendations to SAC on model-specific design elements.

Design Committee

Executes specific tasks or focal areas as laid out by SAC, such as:

- Detailed tuition allocation design elements
- Revenue and expense account roll-ups
- Provides data and data analysis, of design options
- Organizes various working groups and committees based on model design needs.

Executive Sponsors Role

The Executive Sponsors ultimately shape and approve the final model based on the recommendations provided by the Strategic Alignment and Design Committees. Other responsibilities include:

- Provide executive endorsement and support for the project
- Set initial model design parameters
- Review recommendations on an ongoing, periodic basis; make in-time decisions throughout design process
- Uphold commitment to the model by not allowing workarounds
- Champion the model once approved and support implementation

Strategic Alignment Committee Role

The Strategic Alignment Committee plays an important role in redesigning the budget. Responsibilities of the Strategic Alignment Committee include:

- Ensure the budget model aligns with the university's mission, strategic priorities, and future-focused goals
- Lead engagement with campus stakeholders through listening sessions, town halls, etc.
- Review Design Committee recommendations about initial model design
- Oversee diagnostic review and drive project completion
- Submit recommendations to Executive Sponsors for final approval

Please note that, with the exception of the co-chairs of the Strategic Alignment Committee, the Executive Sponsorship team are not members of the Strategic Alignment Committee

SAC Norms of Participation

Strong participation from SAC members is crucial. Members are asked to follow these expectations:

- Understand the committee's role and purpose as an overarching body, representing all units and the best interests of the university. "University First" needs to be the goal as we work through this initiative
- Attend all committee meetings when possible; substitutions/proxies are not allowed
- Participate actively and work cooperatively with other members and support staff
- Prepare for all committee meetings by reading and considering agenda items. It is expected that each meeting will require at least 1 hour of preparation.
- Preserve confidentiality of discussions and data; do not distribute materials unless committee has agreed on distribution
- SAC role includes escalating issues of concern and developing solution recommendations
- Zoom norms: please have video on whenever possible; use raise hand function; if chiming in to agree with someone else, please put this in chat instead of raising hand; there will be times when, during a presentation, we will turn off chat functions

What other norms should we as a committee adopt? How will we keep ourselves in a "University First" mindset?

Design Committee

The Design Committee develops preliminary budget model structures, budget model concepts, and issues design recommendations for consideration. Responsibilities of the Design Committee include:

- Review of activity level data (e.g. Square Footage, FTEs, Headcount) and how it can be used within the model
- Development of actuals model for review and validation by units
- Customization of model related to direct revenues and expenses, as well as indirect allocations
- Scenario analysis discussions and feedback (considering budget model alternatives)
- Charging of additional working groups as needed to address specific aspects and ensure broad participation in redesign process

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:

- ***40+*** Stakeholder interviews and listening sessions
- Presentations to each school/college
- Multiple Coffee and Budget Sessions
- ***6*** Thematic Listening sessions
- Bi-weekly SAC Open Office Hours
- ***3*** separate meetings with each individual School/College to review budget model details
- Ongoing updates to shared governance –BFA, AABAC, BFA BPC, 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.

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.

Questions and Discussion

Executive Summary of Full Model:
Core Funds Allocation

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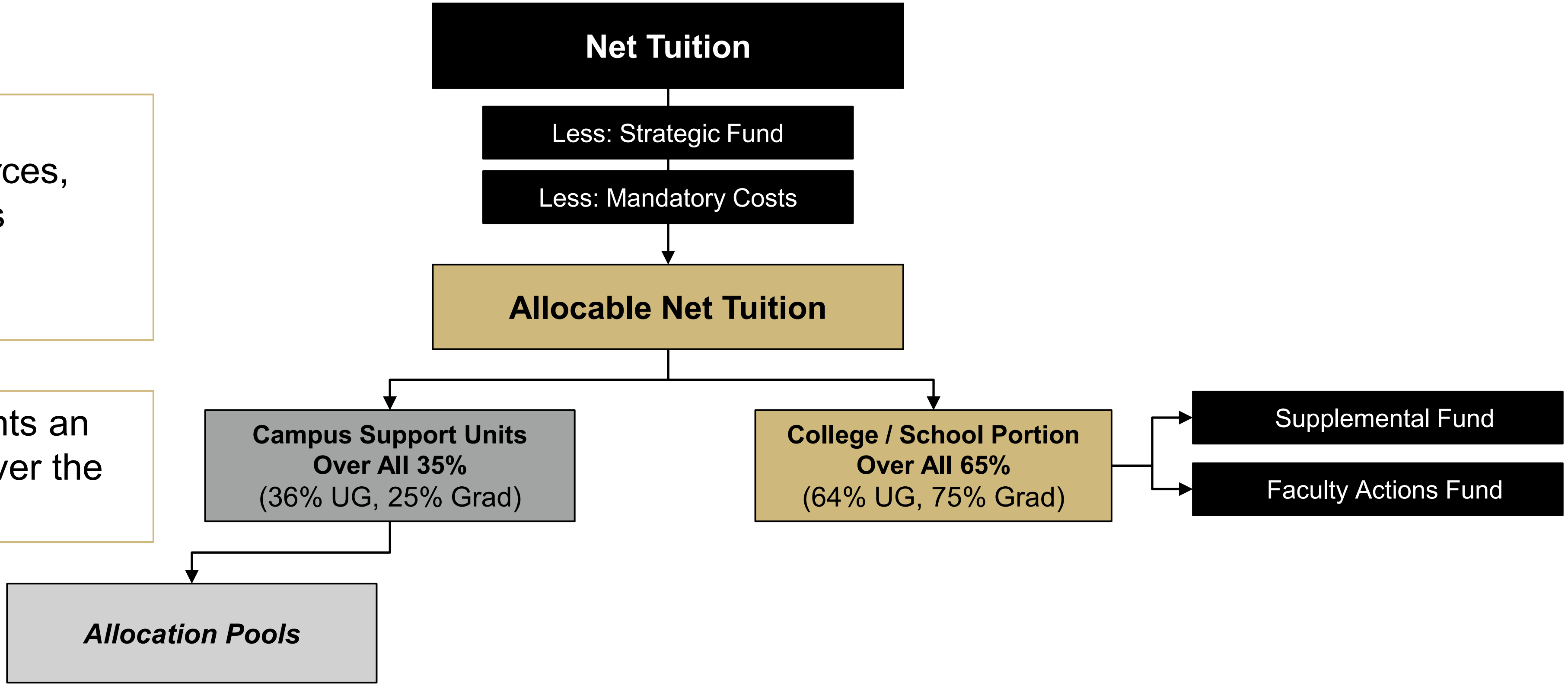
Core Funds Allocation: Funds Flow

Campus support units include: Human Resources, Student Affairs, Facilities Management, University Libraries, etc.

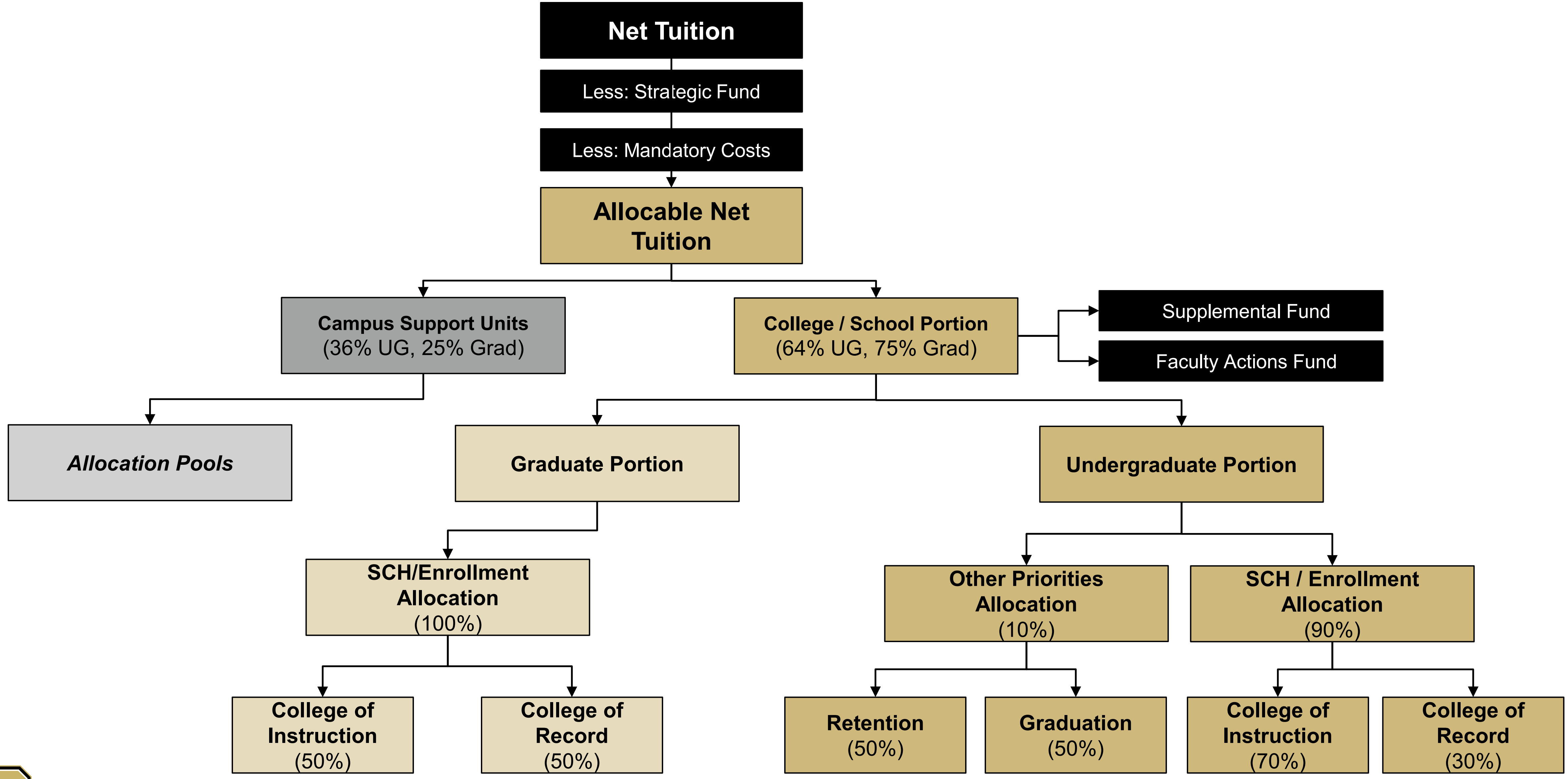
The **35/65 split** represents an average of allocations over the past 10 years.



The graduate portion of tuition accounts for 13% of the net tuition for allocation.

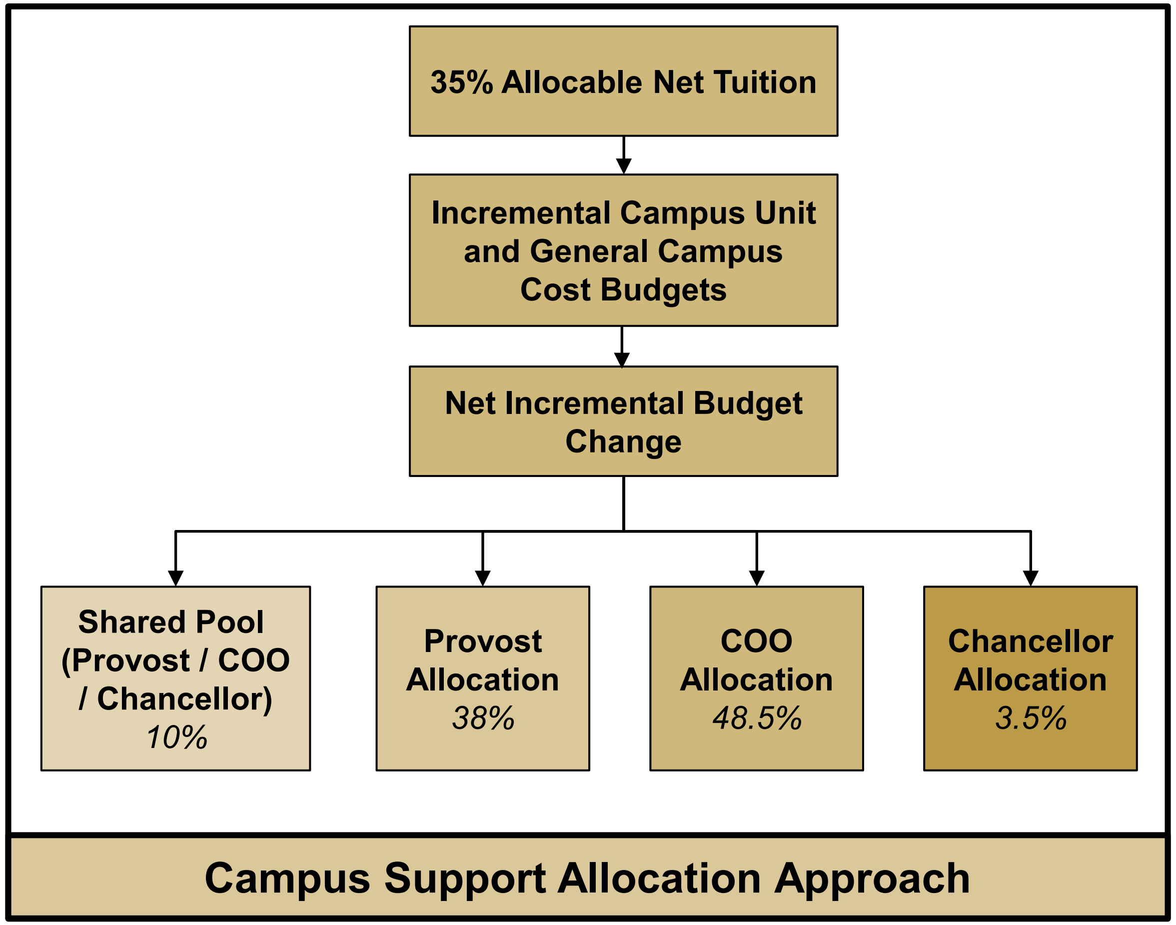
The undergraduate portion of tuition accounts for 87% of the net tuition available for allocation.

New Budget Model : High Level Overview



Support Units and General Campus Costs

The recommendation for the support units and general campus costs includes a “hold harmless” implementation in FY23 and for incremental growth to be allocated in four pools based on historical allocations.



- **New funds, or fund reductions,** will be allocated to the Chancellor, Provost, COO, and a shared allocation pool.
- The Chancellor, Provost, and COO pools will be allocated to individual units based on the **discretion of the respective leaders**.
- 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 new funds**.
- This surplus already accounts for **holding $3.7M** for the planned **FY23 3% merit pool** for support units.

Overview of Net Tuition (1/1)

Net Tuition is derived from Gross Tuition net of General Fund Institutional Aid/Withdrawals/Bad Debt/Refunds, select mandatory cost increases, and Continuing Education Tuition.

Net Tuition Calculation - UG

Total Gross UG Tuition

Less: UG GF Institutional Aid/Withdrawals/Bad Debt/Refunds

Total Net UG Tuition

Less: Strategic Fund Withholding

Less: Mandatory Cost Increases

Total Allocable Net UG Tuition

Net Tuition Calculation – Remission Elig. Grad

Total Gross TR-Eligible Grad Tuition

Less: Non-Res Grad. Tuition & Fee Remission (inst. portion)/Withdrawals/Bad Debt/Refunds

Total Net TR-Eligible Grad Tuition

Less: Strategic Fund Withholding

Less: Mandatory Cost Increases

Total Allocable Net TR-Eligible Grad Tuition

Net Tuition Calculation – Other Grad

Total Gross Other Grad Tuition

Less: Strategic Fund With.

Total Allocable Net Other Grad Tuition

Rationales for Exclusions

GF Institutional Aid, Withdrawals, Bad Debt, Refunds:

- Offsets to gross tuition are excluded from any allocation calculations off-the-top.

Strategic Fund Withholding:

- Essential, mission-critical operations at the university require funding support that exceeds their revenue allocations in order to execute their mission/strategic requirements on behalf of the university. Because Strategic Funds may be available to all units within the University, the withholding of funds *must* happen off-the-top as to not unduly burden on unit over another.

Mandatory Costs:

- *Rationale on the following slide.*

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.

Total Net Allocable Tuition

Per Executive Sponsors decision, total net tuition is gross tuition less institutional financial aid, bad debt & refunds, select mandatory costs, Continuing Education tuition, and a withholding for the Strategic Investment Fund.

Campus Support Units (36% UG, 25% Grad)

College / School Portion (64% UG, 75% Grad)

64% / 36% UG (75/25 Grad) split between campus and colleges/schools recommended by the SAC to maintain the overall 65/35 determined by the Executive Sponsors based on historical allocations.

Graduate Portion

Undergraduate Portion

The calculation of graduate and undergraduate tuition revenue projections are based on actual projected amounts.

Allocation methodology on following slide

Other Priorities Allocation (10%)

SCH / Enrollment Allocation (90%)

The SAC recommends that 90% of the allocation should focus on SCH and student enrollments, while 10% should be reserved for allocation based on other priority outcomes.

Retention (50%)

Graduation (50%)

College of Instruction (70%)

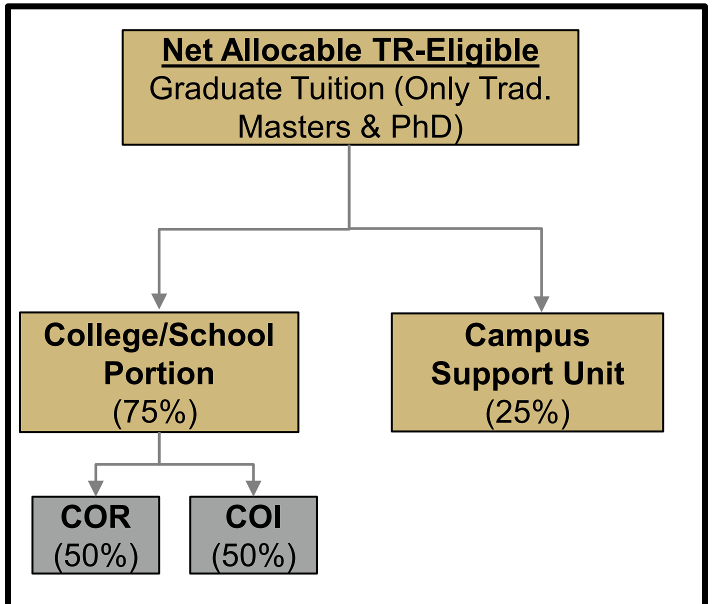
College of Record (30%)

The model recommendation represents a 70% / 30% allocation split between SCH by the College of Instruction and student enrollment by College of Record, respectively.

Two additional equal allocations are included for the priority allocations: 1) An allocation focused on rewarding retention of first to second year students, and 2) an allocation rewarding 6-year graduation (degrees conferred)

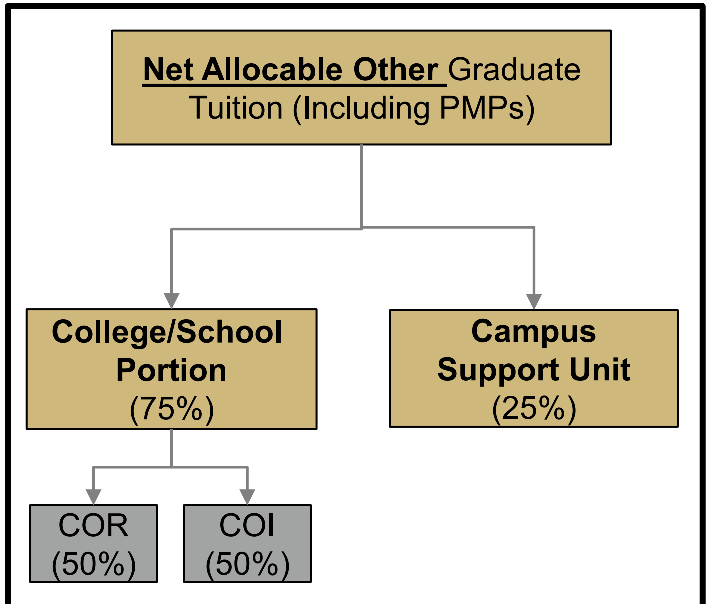
Core Funds Allocation: Net Grad Tuition Allocation (1/1)

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).



Institutional Aid, Bad Debt, and Refunds are funded before net allocable tuition from TR-Eligible Programs.

TR-Eligible Graduate Programs



Institutional Aid, Bad Debt, and Refunds are **NOT** funded from Other Graduate Tuition.

Other Graduate Programs

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.

Executive Summary of Full Model:
Qualitative Funds Allocation

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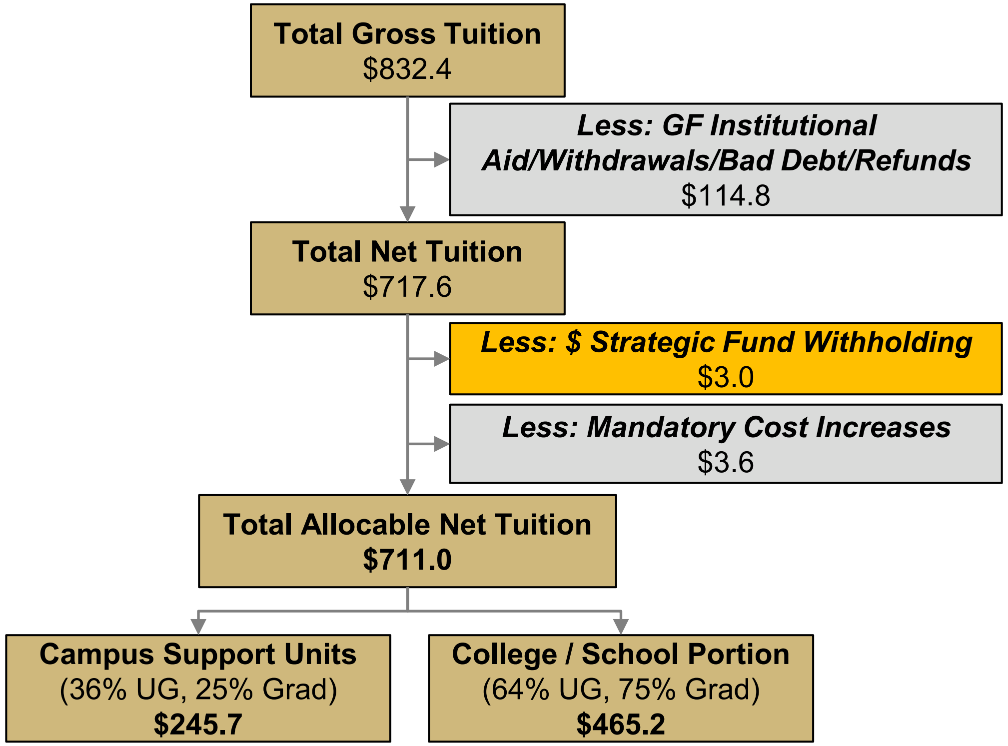
Strategic Fund

The recommendation to the Executive Sponsors is to proceed with a set dollar ($) amount withholding.

Withholding Flow of Funds



- Note: The Withholding is applied at the top of the flow of net tuition, meaning it is **netted against all units and not just the Schools/ Colleges.**
- The current **Strategic Fund amount for FY23 is earmarked at $3.0M.**

Strategic Funding Process:

- A **deliberate engagement process for determining the University's overall strategic funding needs** will need to be established.
- **Each year a set dollar ($) amount** of net tuition funding will be withheld off-the-top for the Strategic Fund.
- The magnitude of this **withholding will be flexible year-over-year** as to best align the size of the withholding to the *actual* strategic need of the university as determined through a transparent deliberation process of leadership that is still to be further finalized.
- These dollars would be available to fund the most important **strategic initiatives** across the university as decided by University leadership (Chancellor, Provost and COO) with input from the University Executive Leadership Team (UELT) and shared governance leaders.

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…

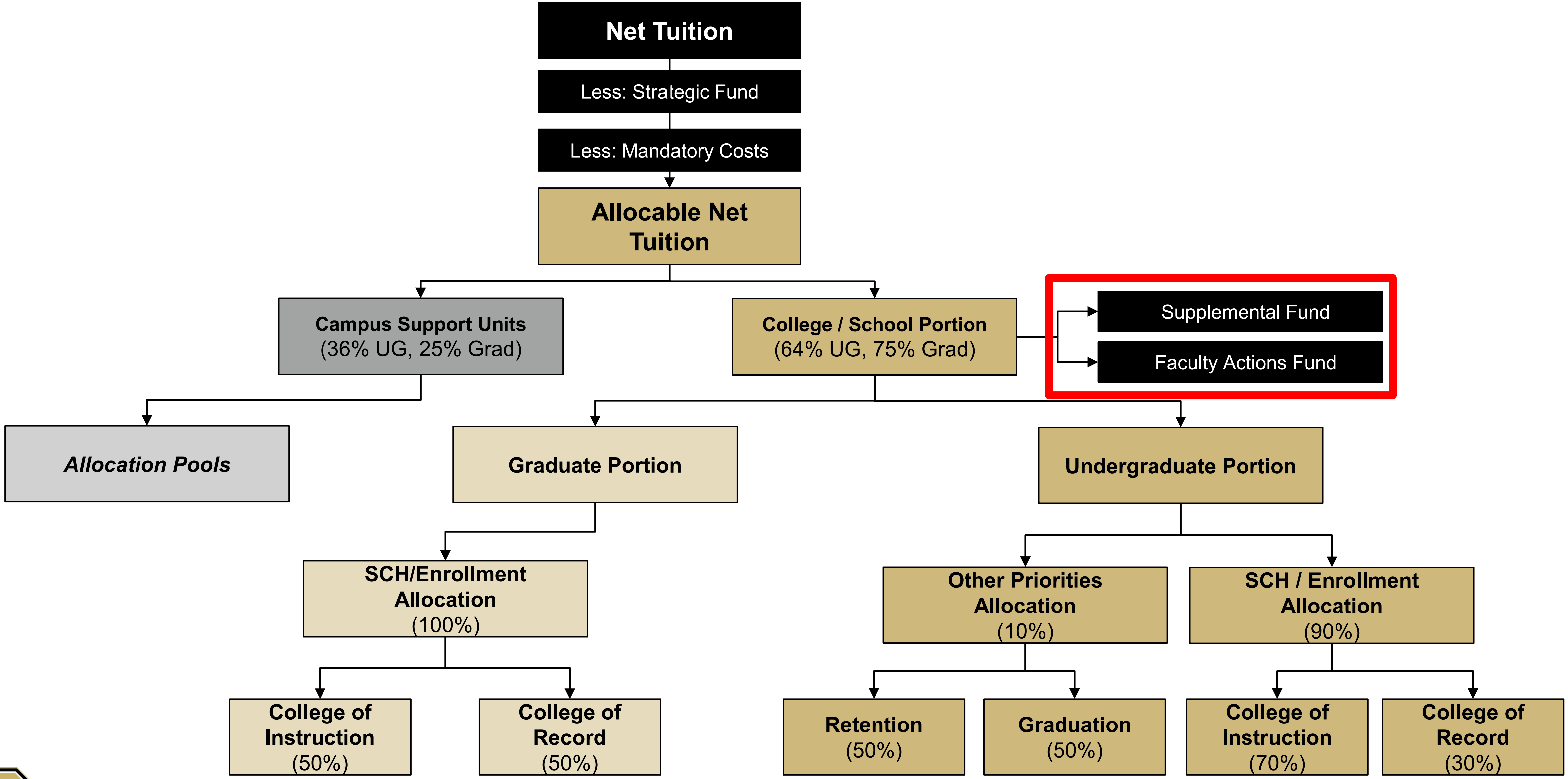
- Cost increases are often driven externally vs. internal management decisions
- Services/benefits **do not belong to a specific unit** or office
- Costs generally **increase annually** and require significant operating changes to avoid
- **These costs include:** Utilities, ICCA (Intercampus Cost Allocation),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

New Budget Model : High Level Overview



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Supplemental Fund

The process for collecting and allocating Supplemental Funds represents the qualitative portion of the model, and our ability to support our comprehensive teaching and research mission.

- The overall Supplemental Fund will be **generated by a portion of net tuition within the school/college portion.** Supplemental funds will be **withheld off-the-top before the remainder of net tuition flows** through the allocation incentives.

- The **percent withholding will be locked for 3 years** (FY23 – FY25) at the hold harmless rate to create more predictable planning for the schools/colleges.

- The **Supplemental Funds allocation dollar amount** will be established during the hold harmless year and **set at a minimum level for 3 years** (FY23 – FY25)**,** including hold harmless.

- The percent withholding rate will need to be reevaluated during the review period in 3-5 years.

- A clear and transparent process to request and evaluate supplemental funds will need to be established by the Office of the Provost with stakeholder input during implementation of the new model.

Supplemental Funds Withholding Process

The process for collecting and allocating Supplemental Funds represents a balance between unit incentives and supporting the discretionary, strategic goals of the University as a whole.

Supplemental Funds *Withholding* Process

- The overall Supplemental Fund will be **generated by a portion of net tuition within the 65% school/college net tuition allocation**. This portion will **be taken off the top** before the remainder of net tuition flows through the allocation incentives.
  - The sum of the Supplemental Fund will be large enough so Supplemental Funds Allocations can **hold each unit harmless** in Year 1 of implementation.
  - The Supplemental Fund Withholding Rate is recommended to be **locked for 3 years** in order to create a more predictable planning process for schools/colleges. Toward the end of the locked period, the rate would need to be reevaluated.

Supplemental Funds *Distribution* Process

- **A clear and transparent process will be developed** (led by the Provost's Office) on how funds will be requested, submissions reviewed, and recommendations made to the Provost. The Provost has final decision-making authority.
- Supplemental Funds will be **allocated only to eligible units**.
  - Eligible units include: Schools/Colleges & 'Academic Support Units' (Grad School, Undergrad ED, Institutes, Libraries)
- The allocation of incremental Supplemental Funds for each school/college beyond the first year will likely reflect a balance between maintaining existing budget allocations (i.e., hold harmless) and allocations for new priorities.
  - As total tuition increases, the Supplemental Fund will grow, and allocation decision-making will be required to strategically distribute the additional available funds.
  - If total tuition declines, the Supplemental Fund, and all other tuition funds, will decrease and require additional decision-making to manage the reduction.
- The Supplemental Funds Distribution (Allocations) should **be held at the level of hold harmless for 3 years,** including the hold harmless year in FY23.

Faculty Personnel Actions (1/1)

After review of the mandatory personnel actions and options for budget allocations, the Office of the Provost recommended a mechanism for managing several faculty specific actions in the new budget model.

Background

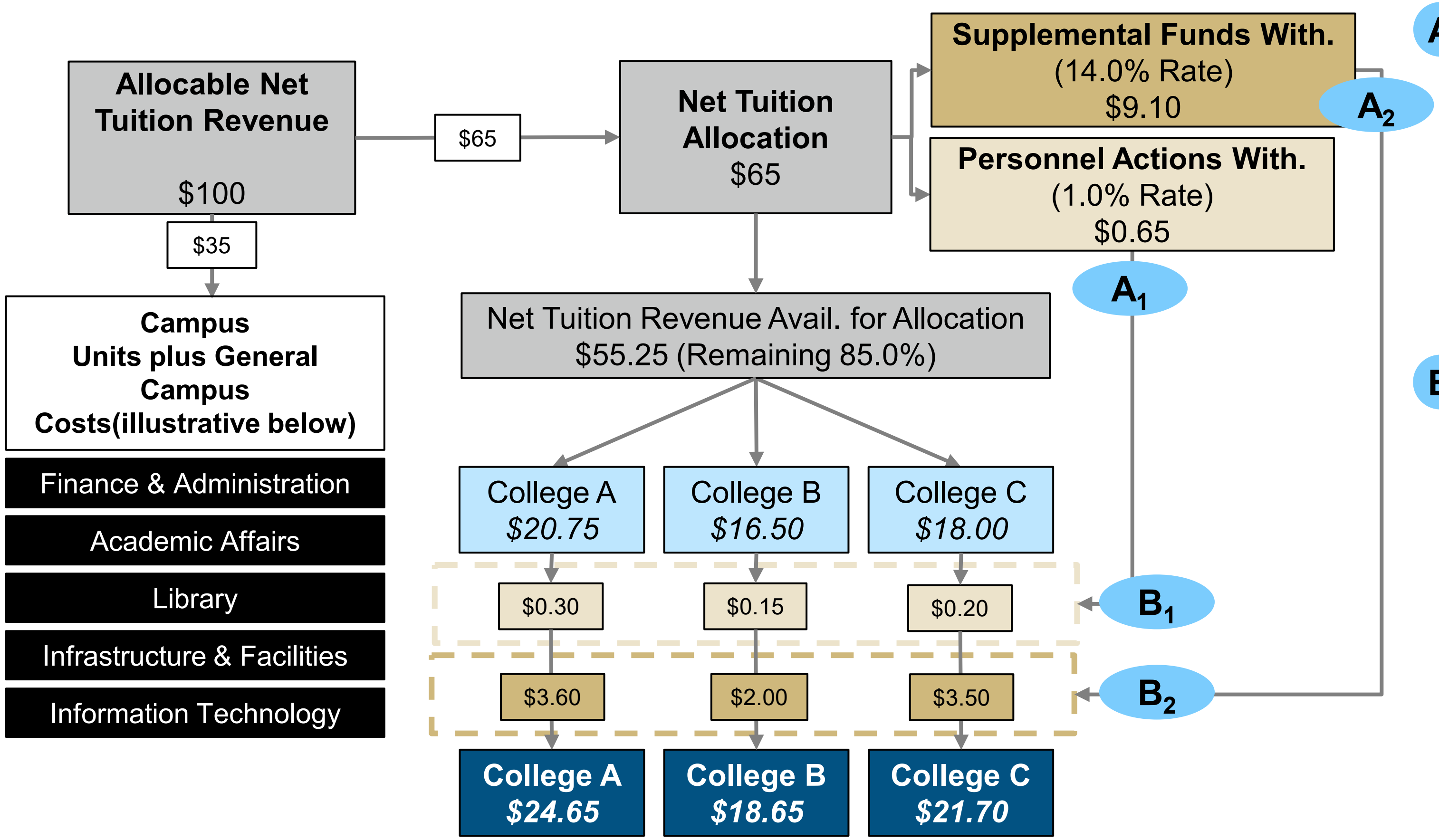
- There are several **faculty-specific personnel actions** that are managed in the Office of the Provost for decision-making and budget allocation to units.
- These faculty specific personnel actions include **faculty promotion and tenure, faculty retentions, and allocations for the Faculty Diversity Action Plan (FDAP)**.

SAC Recommendation

- The proposed recommendation is to fund the impact of these faculty personnel actions **"off-the-top" of the 65%** (school/college) share of allocable tuition in the design parameters.
- This will be achieved by creating a new **Faculty Personnel Actions Withholding rate**, assessed before the flow of funds through the budget model activity metrics, as a percent sufficient to fund these personnel actions, reviewed annually in the budget allocation process.
- The 65% historical calculation *includes* the impact of faculty actions, so the appropriate level of funding will be available to support this allocation approach.
- The corresponding dollar outflow will be allocated to academic units through a Personnel Actions allocation, similar to the Supplemental Funds allocation. The distribution of budget will follow actual expense impact as determined through currently existing processes.

Supplemental & Faculty Actions <u>ILLUSTRATIVE</u> Mechanism

Supplemental Funds & Personnel Actions Funding Process



Supplemental & Faculty Action Process Detail

A Supplemental Funds and Personnel Actions withholdings are taken 'off-the-top' prior to any school/college receiving a Core Funds tuition allocation.

- This process occurs prior to any formulaic allocation to support the university-first approach to the budget model.

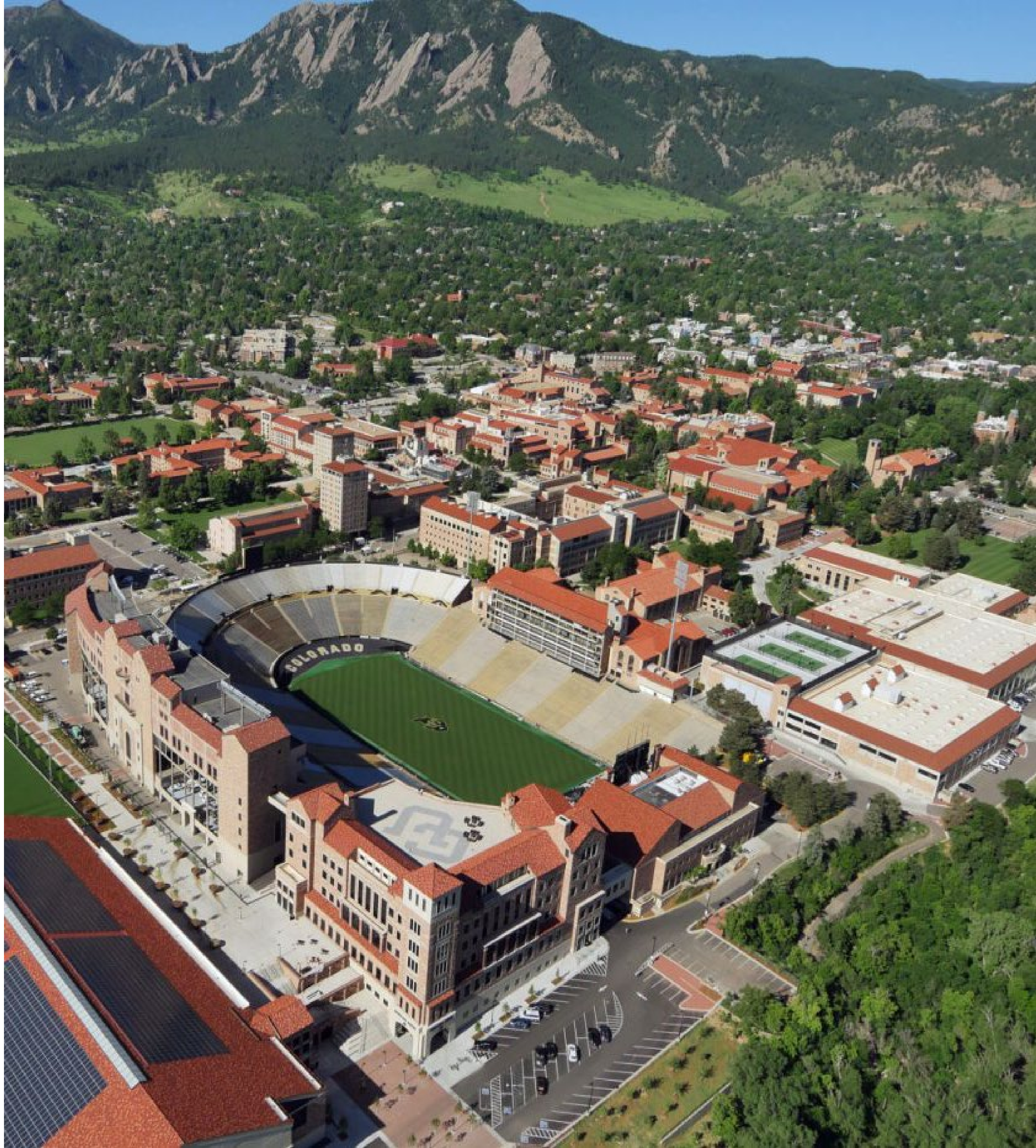
B 100% of each funding pool is distributed to units.

- Funding is added to each unit's Core Funds allocation to generate each unit's "total sources of available funding."
- Amount of funding distributed to each school/college is **determined by the Provost** following the conclusion of a **formalized request process** with consideration of the University's mission as a comprehensive AAU public teaching and research institution.

Questions and Discussion

Appendix

Other Key Design Decisions Impacting the Model



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).

Applying Differential Weights to Allocations

The model will apply weights to SCH and headcount for each school/college to account for differential tuition.

	Unit	UG Res Tuition Rate	UG NR Tuition Rate	Total Tuition (Res+NR)	Weight
Tier 1	A&S – Social Sciences & Humanities	$11,540	$38,771	$50,311	**1.00**
	Education	$11,540	$38,771	$50,311	**1.00**
	Music	$11,540	$38,771	$50,311	**1.00**
Tier 2	CMCI	$13,316	$40,570	$53,886	**1.07**
	ENVD	$13,316	$40,570	$53,886	**1.07**
Tier 3	A&S – Natural Sciences	$15,092	$42,051	$57,143	**1.14**
	CEAS	$15,092	$42,051	$57,143	**1.14**
Tier 4	LEEDS	$17,012	$42,374	$59,386	**1.18**

Weighted SCH/HC will direct a greater proportion of tuition allocation to colleges with higher tuition rates within the regular tuition allocation methodology.

REMINDER: Even with tuition differential, "subvention" will be used to ensure hold harmless and to account for non-formulaic allocation decisions, such as class size or cost of instruction.

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:
• 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). • 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.	• 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.

Academic Support Units (1/2)

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.

SAC expressed concern that this opens the door for the 65% to fund the 35%, and recommends that careful monitoring will be needed to ensure a transparent and sustainable allocation process.

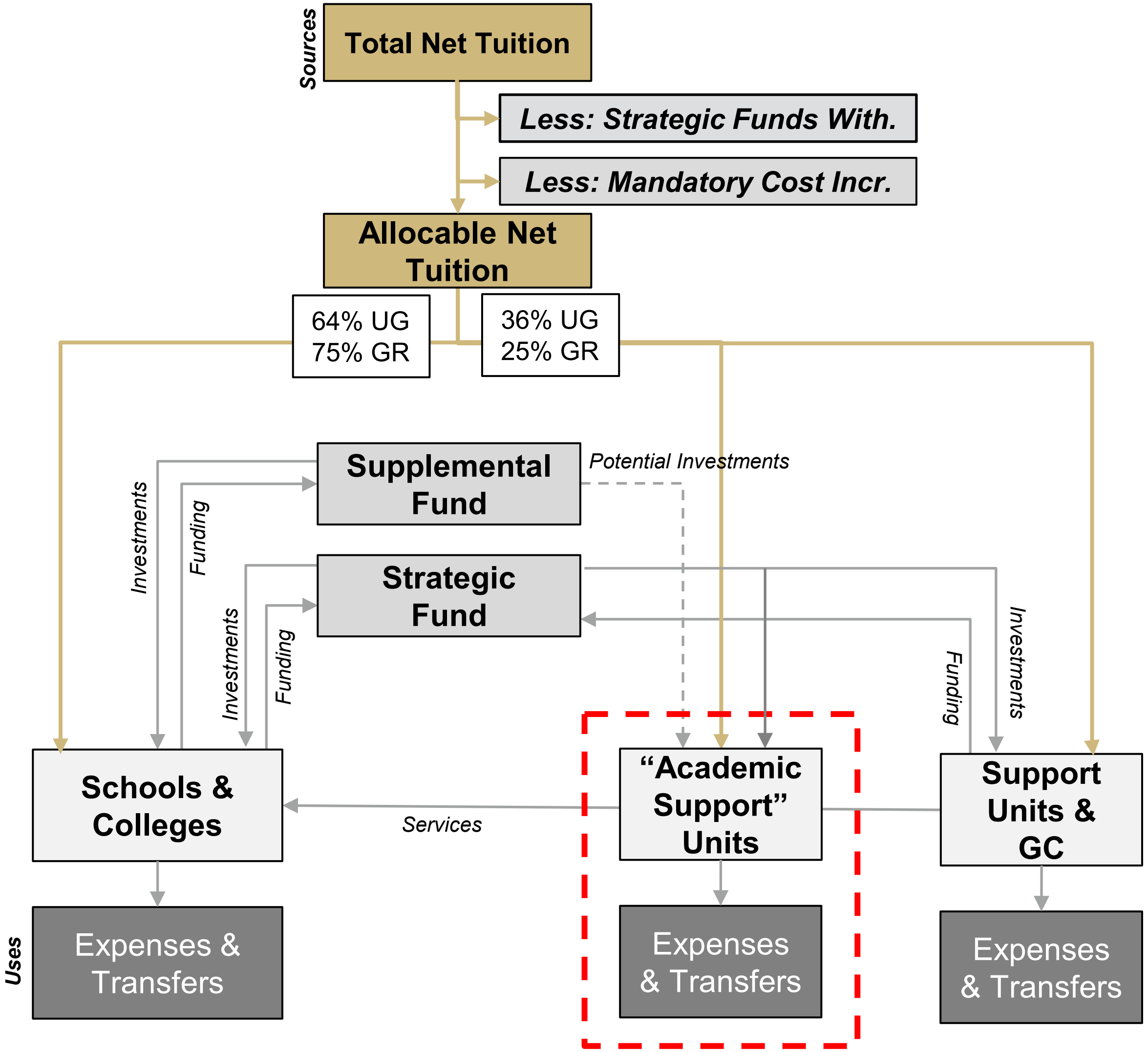
Academic Support Units (2/2)

The graphic below displays the flow of net tuition revenue and includes the proposed flow of funds for "Academic Support" Units.

- "Academic Support" Units will be **funded for standard incremental costs and needs** as part of the 35%. These units may **request new funding from the support unit allocation pools**.

- The "Academic Support" Units will be **eligible to request and receive funding from the Supplemental Fund** and the faculty actions pool, withheld from the 65% flow of funds.

- All units across the university are eligible to request and receive funding from the Strategic Investment Fund.



Split Funding for Faculty Members (1/1)

Across the university, the majority of faculty are funded by one home unit; however, in some cases, split funding occurs.

Background

- There is a small, yet significant, portion of the faculty that relies on funding that is **split across multiple units**.
- This raises various issues, as it is vital to **properly account for the costs associated with instruction** and to ensure adequate funding is flowing to the correct unit.

SAC Recommendation

- Funding will flow to **the instructor's tenure home** for the COI tuition allocation.
  - **If no tenure home exists**, funding will flow to the department with the highest appointment percentage.
  - **Recommendation:** SCH associated with non-school/college instructors will be allocated to the school/college based on course prefix.
- This may require the use of agreements between individual units.
  - The exact organization of that process still needs to be further fleshed out prior to implementation.
  - The scope and organization of such a process would potentially be part of our Implementation Readiness work.

Program in Exploratory Studies (PES) Retention (1/1)

"Undergraduate Education" is listed as the College of Record for PES students; however, Undergraduate Education is a Campus Support unit, not a school/college, and allocating retention incentive to UG Ed would make it a "hybrid unit" within the new budget model.

Background

- PES admits students exploring options across all colleges/schools (the campus-wide open option) and includes students who were not admitted to their college of choice (ACO).
- In Fall 2021, **25.5% of all first-year students were enrolled in PES**, making this a **critical population** to consider for the retention incentive within the budget model (total headcount situates PES, just under 3,000 students, between CMCI and Leeds).
- ACO students have the **lowest 2nd Fall retention rates** of any student population. Tracking the Fall 2019 cohort, by the 3rd fall, 19% had enrolled in Arts & Sciences.
- A PES Working Group was formed by the DC to help answer: How should the net undergraduate tuition allocation's retention incentive work for PES students? What unit should earn credit for their retention?

SAC Recommendation

- If a PES student is retained and matriculates in *another* school/college in Year 2, **that school/college would receive the incentive.**
- If the student is retained within the University *and within* PES for Year 2, then **A&S would receive the incentive**.

Double Majors & Minors (1/1)

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

Background	SAC Recommendation
• 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.	• 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*.

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:

1. **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.
2. **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.
3. **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 Schmiesing, 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.

Summer Session and Summer Incentive (1/1)

The committees considered the potential benefits and tradeoffs of including/excluding summer revenue within the model.

Background

- Discussions revolved around the University's desire to **grow summer revenues** and what the potential impact on Summer Session would be should it be included.
- The SAC determined that if summer is included in the model, it would serve to **incentivize summer** more than it currently is today.
- Summer salary/pay will continue to follow the current rate schedule and procedures.
- However, the funding will now go to the school/college through the budget model rather than directly to the academic department/program from CE. The school/college will account for summer costs as part of the new budget model.

SAC Recommendation

- Summer should be **fully included in the model**.
- This will **eliminate the need for the current summer incentive**.
- As with the full Budget Model Redesign allocations, this may have different impacts at the program level.
- Since summer revenue will be allocated to the school/college through the new model, additional work will need to be conducted in consultation with CE and schools/colleges to provide necessary reporting to support this transition.

Variables Inputs (1/2)

The SAC proposes the following approaches to addressing the handling of variable inputs within the model.

Overall Variable Drivers:

- For the initial launch of the new model, the new model should allocate tuition using **real-time resources (budget) and historical allocation drivers (SCH, COR, etc).**

SCH & HC Variables Timing:

- Approach: Prior Calendar Year
  - This option would provide adequate responsiveness within the model – allowing units that are growing to see benefit from that growth and see it reflected in their budgets quickly.
  - A prior calendar year approach was favorable compared to a prior academic year approach as that option would lead to units receiving their upcoming budget information very late in the hiring process.

Historical Average Smoothing:

- No Smoothing: There will be no historical averages used to smooth variations in the allocation drivers (SCH, headcount, etc).
  - Historical averages smoothing can be used to minimize 1-year variations in the data. The rationale behind our recommendation *against* smoothing is based on the actual data – as CU Boulder mainly services 4-year students, natural variations YOY tend to automatically smooth out, thus limiting any major spikes in the data.