

**November 2023**

## Why a New Model?

Colorado State University recognizes a need to design and implement a new budget model that will further the financial prioritization of our mission areas as well as proactively support growth and success in the ever-changing landscape of higher education. CSU is among many universities that have launched initiatives to assess, design, and implement budget model changes in response to limitations with their legacy models, such as a lack of transparency and limited flexibility around external impacts. Like other institutions, we seek to redesign our budget model to enable CSU to better align financial decision making with our strategic institutional priorities and to promote greater transparency.

Following best practices in university budget model redesign, the goal is not to replicate a budget model that has been implemented at another institution but to customize a model unique to our values, strategies, needs, culture, and priorities. This process will be further informed by feedback from our faculty, staff, and students, deans, budget officers, Faculty and Employee Council leadership, and other key stakeholder groups. It is important to note that a new budget model by itself does not generate more revenue, but it can stimulate growth with the possibility of increasing revenue such that other strategic priorities can be pursued.

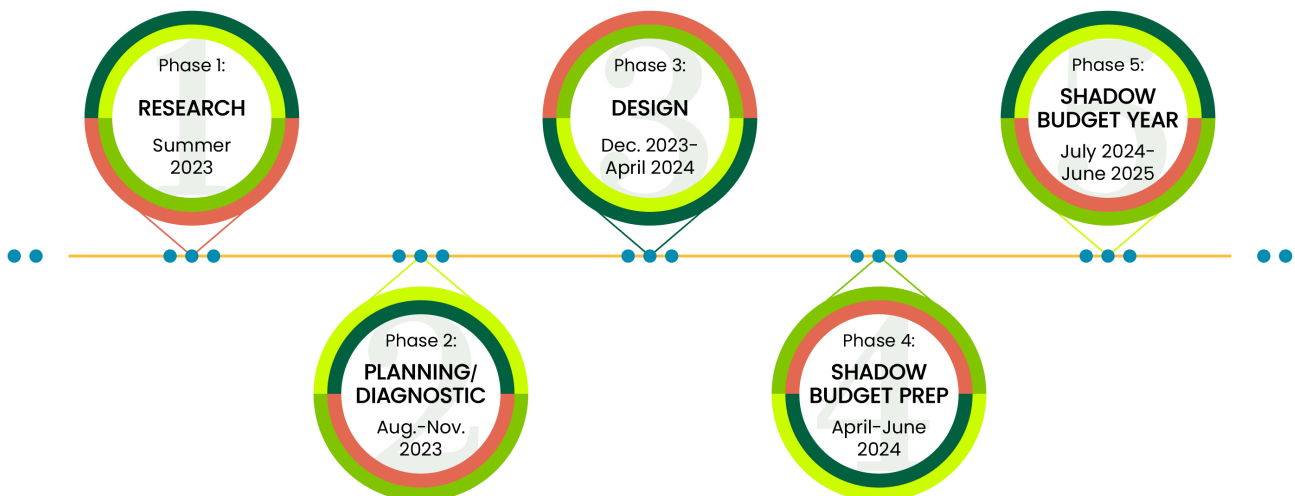
Among other goals, the budget model redesign initiative is driven by a desire to:

- Provide more transparency in discussion of our budget and resource allocation.
- Be nimbler to redirect resources in a reliable and effective way that requires mission-need attention.
- Better empower innovation and innovative thinking.

## Process

After launching the Budget Model Redesign in Spring 2023, CSU leadership initiated phase one of the redesign by meeting with professional consultants and representatives from other universities to learn about the budget model landscape in higher education, some best practices for budget remodeling, and lessons learned during similar processes at peer institutions.

At the start of the fall semester, CSU transitioned out of the initial research phase and into phase two, a period of planning and diagnostics. Within this phase there are extensive stakeholder meetings, community fora, internal and external data collection, and the charging and determination of responsibilities of the Budget Model Redesign committees. The Planning and Diagnostic Phase will lay the foundation for creating a budget model to best support our University's values and land-grant mission. Here is the projected timeline (subject to change):



### Incremental Budget Model

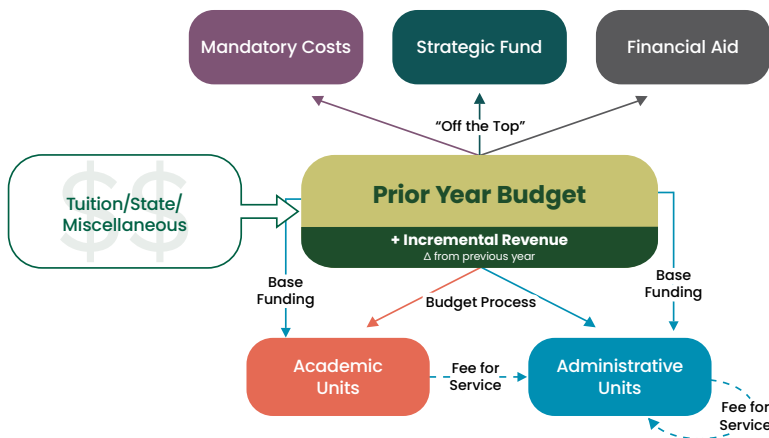
CSU’s current incremental budget model focuses on the change in revenue from one year to the next, also known as incremental revenue. In our current model, we first deduct funds “off the top” for mandatory costs, financial aid, and strategic initiatives, then we make budgetary decisions based on our incremental revenue — tuition payments, state funding, etc. — between the previous and current fiscal years. Though beneficial in some ways, an Incremental budget in a competitive environment limits spending flexibility as well as our ability to adapt to the rapidly evolving higher education sector and our innovative excellence in research and teaching.

### RCM and Hybrid Models

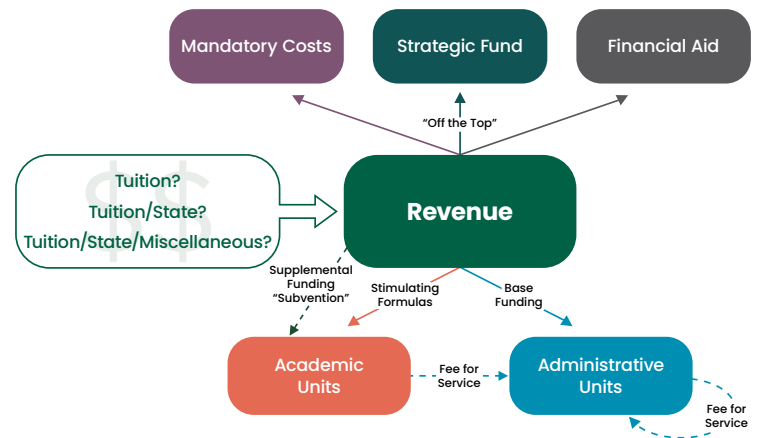
Responsibility Centered Management or RCM budget models focus on current and future projections and empower colleges, schools, and other revenue-generating units to determine the best budgetary decisions for their funds. A full RCM model would assign revenue-generating units complete responsibility for obtaining and delegating funds, but with a hybrid model, campus entities will have more autonomy over their budgets than the Incremental model allows while still sharing and receiving support funding from centralized budgets as needed.

A hybrid budget model customized to CSU’s needs will result in greater transparency in budget decisions, more incentives for innovation in the academic enterprise, more budgetary control at the college and unit levels, mission-oriented academic and budgetary planning, and future-focused fiscal planning.

#### CSU’s Incremental Budget Flow



#### Example Hybrid RCM Flow



### More Information



For more information on the Budget Model Redesign initiative, including on committees and governance, other opportunities for campus engagement, and to provide feedback or ask questions, scan the QR code to access the Budget Model Redesign website:

<https://operations.colostate.edu/budget-model-redesign/>