**Budget Allocation Review Committee - Session #8**

**January 30, 2025 (2:00-5:00)**

Attendees: Jen St Peter, Ann Sherman, Phillip DeLeon\*, Lauren Goolsby, Nate Thompson, Margaret Wood\*, Kelly McCusker, Scott Dawson, Julien Langou, Nikolas Chabot-Olson,Julia Mahfouz, Amy McGuire, Mark Golkowsi, Anthony Wilson, Laura Argys (delegate for Rich Allen), Beth Myers\*

*Missing Attendees:* Michael Leaser, Stephanie Kelly

*\*Note: Given the extended session, several members had to leave early or arrive later for other commitments.*

**NOTES**

Welcome & Introductions

Jen opened the meeting noting that we are missing several key people today. The meeting was recorded and there will be opportunities for those missing to share their opinions following the meeting.

Review of Updated Principles

* Mixed reviews from colleagues outside of the committee, including that the revised bullets might be oversimplified. We may actually mean “transparent” versus easy to explain.
* Financial health – should be clarified to be based on long-term health. The intent is to make sure campus understands healthy financial foundation and how they contribute
* “Differences in costs” – potentially an area of concern
* Order was based on what Jen understood to be the priorities of the committee; there may be some differences of opinion on this.
* The end of the meeting will return to the principles – want to continue to workshop these; these are temporarily our “north stars” but subject to continued refinement

Overview of Decision Points

Jen reminded the group about the decision-making process adopted by the group, including using fist to five to indicate agreement or disagreement. Jen reviewed the decision-levels, noting that the group has already identified the type of model they are interested in. She reviewed the various decisions that the group needs to make, including those related to revenue allocations and types of tuition differentials and some of the considerations related to each.

Identifying Allocable Revenue​

Jen reviewed the recommendations she shared with the BARC (at their request) regarding the types of revenue that should not be allocated through the budget model as well as the rationale for each recommendation. There was discussion to clarify what several of the revenue sources included (e.g. auxiliary revenue). In an incremental model – there would not be the same level of detail.

* There was discussion about potential benefits of allocating indirect cost revenue. (Note $3.7 million out of $250 million is ICR). There was also clarification that indirect cost recovery allocation to academic units is set at 30%.
* Even if D2 (extended studies/academic auxiliary) revenue is not recommended to be allocated in the budget model, it was identified as a category for more detailed discussion about how this interacts with the unrestricted fund budget output from the model.
* There was clarification regarding what GAR is and how it is determined for auxiliaries- this was based on a cost study, looking at the supports leveraged by these programs. GAR is not intended to be a deterrent. The committee is interested in seeing most recent cost studies on GAR.

The recommendations do not align completely with the current model. Jen noted that several measures were included as “informational” to the model (i.e., academic auxiliaries). While this was referenced in the model, it had no impact to the unrestricted fund budget so we have been “general funds budgeting” not “all funds budgeting” – but this is something we could move towards.

The committee was presented with the opportunity to rate the metrics using fist to five, however the group agreed to skip the vote and agreed with Jen’s recommendations.

Additional discussion about non-credit revenue, clarifying the impact to a school like SEHD that has a high degree of non-credit revenue might appear to be “underperforming” when looking only at main campus and general fund activity. Jen explained this as a reporting issue, and moving forward using “all funds budgeting” and reporting the extended studies activity would help show the comprehensive picture of each unit’s contribution to the campus as a whole.

The group moved on to review remaining options for allocable revenue, including the five categories below. Results of voting included:

* Undergraduate tuition – 5s
* Graduate tuition – 5s
* Nonresident tuition (includes out of state, international, out of state online, etc.) – Mix of votes (discussion needed)
* Summer tuition – 0s – this means all terms will be lumped together versus separating summer from Fall/Spring
* State appropriations – 0s to 5s – Whatever this is allocated on, would provide an incentive to; this could “double down” on other categories if the same metrics are used

Clarifications: Allocation (e.g. undergrad) is based on primary major (even with dual majors, including those across schools/colleges – primary takes precedence). The strategic plan should help guide what we are trying to incentivize. State allocations are 25% of our budget; Boulder uses state funds to take mandatory costs off the top. We have limited control over state allocations.

The State’s allocation metrics to allocate to governing boards include: resident enrollment, credentials, PELL eligibility, race/ethnicity, retention, graduation rate (4/6), first gen. There are things that we can do as a campus to increase our proportion of the state funds and from the University of Colorado as a whole.

In our current model, every revenue is in the model somehow and allocated out in some way (even if it’s direct to the unit).

Mandatory and admin costs off the top – this has already been decided, but the committee has not determined the percent allocations.

Identifying Metrics

Jen shared metrics considerations, including how the committee might think about allocating funding for college of instruction versus college of record (major), including the advantages and drawbacks of each. While the committee was interested in seeing scenarios, Jen clarified the idea was to make principle-based decisions, so we will not use lots of different scenarios to see who (schools/colleges) might “win” in each scenario. One option discussed was to make the split more even (similar to Michigan); this could reduce redundancy (e.g. offering the same courses in several places), and gaps could be closed with subvention. Subvention is viewed negatively, but if we allocate more based on majors it can be seen as the way to cover “service instruction” from other schools/colleges. Deans will make decisions about subvention levels as well as how they will handle that over time. Typically subvention levels hold steady; revisited every few years.

Questions were raised about how incentives actually play into the model if subvention sweeps away or waters down the “wins.” Incentives could be different on special initiatives pool (e.g. retention, degree completions, etc.) and this could shift over time.

Clarification was provided that tuition revenue allocation is based on projections as opposed to an accounting methodology that precisely allocates the expense to each school/college for delivery. The budget model is a way to allocate resources, not an accounting tool or a way to represent “reality”.

The results of the vote on undergrad tuition revenue supported modeling a 50-50 allocation.

The committee moved on to discuss graduate tuition revenue allocation. Current allocation of 65-35 was part of the old model with the idea that this would encourage cross-college collaboration.

The committee voted on moving forward with looking at graduate tuition revenue in the same way as undergraduate. Jen will provide the committee with data on credit hours taken by graduate students outside the school/college of their major.

State Appropriations: The committee returned to a conversation about state appropriations.

* There was interest in seeing this included in the model at least initially
* There was also concerned about a “double effect;” there was also a concern about losing visibility if it is pulled out completely.
* Suggestions: to allocate incrementally; to allocate proportionally based on 50/50 split (major/instruction; credit hours, etc.)

A question was raised about what should be incentivized around auxiliaries and what is of benefit to the university (e.g. adding D2 to CAM). Extended studies is intended to be “in addition to” main campus and not a matter of just increasing revenue for a single academic unit. Funds from academic auxiliaries need to be brought into the conversation – somehow offsetting unrestricted fund budget. This could be included as a consideration/offset to subvention. It was noted that there is volatility in offering new D2 programs; there needs to be incentive to be innovative so the offset may not be one-to-one.

Timing Discussion

* Current model uses 2 years in arears – this means if you are growing, the budget is delayed; if you are declining, it provides a runway to make hard decisions
* Some other institutions do moving averages
* Some other options: Could do a partial academic year; could shift summer (leading/lagging), most recent 4 semesters; look at trends
* EAB – “best of both worlds” – academic initiatives pool for “loans”
  + Current model has subvention and a strategic initiatives pool – this was meant to serve as this or to cover costs of new initiatives, such as new program start-up costs
  + Can create this off the top or later
  + Risk: reduces amount allocated out to S/C
  + There are other ways to create this fund (e.g. if we come out below budget, we could place into a one-time initiatives pool)
* The committee was most interested in looking at moving averages; Jen will work with IR team to identify the data

Academic initiatives and campuswide initiatives will be discussed next time.

Jen will provide a draft mockup of the proposed model next time.

Key Messages to the campus from the committee’s 8th session:

1. Agreed to recommend NOT allocate revenue noted in slide 9 through the budget model.
2. Agreed to recommend allocating undergraduate tuition revenue through the budget model, using a blend of 50/50 college of instruction and college of record for the initial draft model scenario.
3. Agreed to recommend allocating graduate tuition revenue through the budget model, using a blend of 50/50 college of instruction and college of record for the initial draft model scenario.
4. Agreed to NOT separate out nonresident from resident tuition, and to NOT separate summer tuition from fall/spring tuition.
5. Agreed to recommend allocating state appropriations revenue through the budget model, using proportional splits from the tuition allocations for the initial draft model scenario.