**Budget Allocation Review Committee - Session #7**

**December 12, 2024**

Attendees: Ann Sherman, Jen St Peter, Beth Myers, Phillip DeLeon, Lauren Goolsby, Nate Thompson, Anthony Wilson, Margaret Wood, Rich Allen, Scott Dawson, Stephanie Kelly, Nikolas Chabot-Olson,Julia Mahfouz, Mark Golkowsi, Amy McGuire, Sarah Fields\*

*Missing Attendees:* Julien Langou, Kelly McCusker, Michael Leaser

*(\*Note: Sarah Fields attended as a substitute for Julien and Kelly.)*

**NOTES**

Open Discussion

In response to several emails exchanged between meetings, the committee engaged in discussion about the process and responsibilities for the committee.

* Lauren stated she is struggling with what we are trying to do. She asked for clarification regarding what the committee is tasked with doing; are they recommending how to reallocate resources or are we saying we want a similar model that prevents schools/colleges from taking large budget cuts. All of this impacts how the committee might make decisions
* Ann clarified that this committee will not determine the allocations, rather the model would determine allocations. This committee could look at modeling to understand the potential impacts.
* Rich provided an example of how the committee may make changes to resource allocations: subvention. If this group chose to limit subvention that would potentially change the ways we allocate resources.
* Scott asked for clarification about the purview of the committee, suggesting that we look at trends and analyze how different models would impact the institution.
* Phillip expressed appreciation for what he has learned as part of the committee and for the expertise of the Budget Office. He expressed hesitation regarding making decisions given his lack of financial expertise. He noted the importance of “getting this right from the start.”
* Scott noted that part of the point of the process is to elevate understanding of budget models across campus.
* Ann echoed the importance of educating the campus and validated the unique expertise each person brings to the table based on the areas they represent (e.g. research).
* Nate framed the project as: each school/college brings revenue and that helps contribute to the non-revenue generating and part of our job is to figure out how to communicate how this works and how we allocate.
* Lauren noted that it is not possible to do this kind of tracking through the process because everything goes into the model comes out on the other side. Part of the process might be reducing the steps to create transparency/clarity. Is this about simplicity? Is this about incentivizing specific things?
* Phillip noted the complexity of CU Denver’s operations and finances, expressing it may not be possible to make things too simple.
* Margaret shared her experience with building understanding of the budget model. The narrative was important, looking at other options was helpful; we have landed on our current model as one of our options. Even though we did not specifically critique our specific model, it has made sense how we have progressed.
* Ann noted that it was important to present alternatives and that it would have felt disingenuous if we only presented our existing model and looked at improvements. She clarified that whatever we do, we need to make our current model better.
* Rich pointed out that our current model is one of the models on the list for further consideration.
* Nate commented on the challenge that some programs may never be “in the black” due to the cost to deliver them. Suggested investigating what it costs for revenue-generating units to operate, and adjusting central units’ contributions based on their needs/resources.
* Scott made a comparison to a nice grocery store selling flowers; a “nice” store needs to sell flowers even if they do not help the bottom line. While we might need subvention, Scott would like to see a limit on subvention.
* Margaret noted a mindset that centralized units are “wasteful” while they are critical for a functional institution (e.g. financial aid, admissions, research services, etc.).
* Jen shared that CU Denver is aligned to other institutions in terms of our allocation for central supports.
* Ann attributed this lack of valuing roles to a lack of understanding about the value/need for these roles. Zero-based could be a way to explain that.
* Rich said there has been a lot of discussion about how funds are used centrally and even within units; interrogating within could build campus confidence and exhibit the actual challenges.
* Ann suggested that our new chancellor may be interested in doing zero based budgets based on his history with doing this at his current institution.
* Lauren asked how the new chancellor would impact this process. Ann reiterated points in her email regarding how important these recommendations will be for an incoming leader.
	+ **Add to FAQ** – how the chancellor search connects to this process: The work of this committee will be invaluable input to the incoming Chancellor’s consideration of the alternatives we’ve been discussing. As Jen said in her Nov 22 message, “each institution is its own snowflake”, and a Chancellor arriving from a different state/institution will need our help to understand what we’re choosing to recommend, and why. We should NOT assume that someone with no background in Colorado, or in budget theory, would be able to simply mandate a solution of such magnitude without the benefit of the consideration the committee has been weighing.
* Nate talked about the challenge of this group making decisions when they are not part of the “down and dirty” of the budget. He noted that chairs get concerned about trying to hit incentives and asked if there is a way to keep performance targets at the unit level.
* Lauren noted she has been getting questions about incentives – if we have incentive metrics tied to something that is held centrally (and schools/colleges lack resources for), are schools/colleges risking being penalized.
* Nate discussed CAM investments that do not necessarily lead to direct returns in terms of enrollment.
* Stephanie suggested that zero-based budgets would help to illuminate where we are duplicating efforts in un-strategic ways – we could get at strategy and collaboration through this kind of process. Ideally moving towards more holistic, institutional goals.
* Rich echoed support for this approach, noting the potential for improved alignment in our activities.
* Nate discussed the challenge of identifying incentives that work across the board that are collectively, and globally applicable.
* Ann provided an example of the return on investment for Advancement funding: Though the ROI in Advancement investments is high, we can’t have a whole institution of Advancement. The goal is to look holistically and avoid “cannibalizing.”

Discussion of reading materials

*On hold for next meeting.*

Discussion on Principles / Indirect Costs

Jen moved the group into a discussion about refining principles with a focus on the idea of “simple.” She discussed how simplicity could apply to indirect costs. Jen shared the Boulder model as context to support the discussion about pros/cons of using a model that separates academic and central costs off the top (with a separate model to allocate to schools/colleges). By comparison, our current model uses seven cost centers, but it does provide transparency in terms of being able to calculate a “revenue net of expenses” for each academic unit. Jen noted the complexity of serving our students in different schools/colleges (e.g. a CAM student who takes CLAS courses); the revenue “earned” by each academic unit under the current model is not real, it is a function of the metrics that the model uses. In this example, we choose to assign 75% of the revenue to CLAS and 25% to CAM, but different weights could be chosen to yield very different results.

* The group noted that an ETOB model would be required to make all of the dollars “real” and there would have to be a lot more accountants to manage the exchange of services across schools/colleges for core courses and to pay for central services.
* Jen clarified that admin is essentially in an incremental model; a decision could be made to reduce the overall allocation, but that is a separate process. This is more or less an “overhead” expense; admin shares in benefit and pain.

The committee members voted using fist to five to determine whether or not to remove administrative costs at the front end of the budget model (philosophically, not looking at specific percentages/amounts, includes mandatory costs), and **approved** this approach.

Key Messages to the campus from the committee’s 7th session:

1. We need to clarify why we are continuing this process without a chancellor in place and how our incoming chancellor will be involved. (Note: This will be added to the FAQs)
2. The committee members voted and agreed upon the use of a front-end approach to covering campus-wide and central administrative costs
3. Reaffirmed the importance the final budget model being “simple”
4. Reaffirmed the purpose and charge of the BARC