Where does our money come from?

CU DENVER

FY 2022-23 Source of Revenue (Millions)

Total Budget = $348.9M

- Educational and General Fund, $234.9M, 67.3%
  - Main Campus UG and Grad Tuition (aka, D1)
  - Includes Direct State Funding
- Auxiliary Funds, $53.8M, 15.4%
- Restricted Funds, $60.2M, 17.3%
- Direct State Funding, $51.0M, 14.6%
- Restricted Funds, $60.2M, 17.3%

**Educational & General Funds includes Direct State Funding (14.6%)**
Where does our money come from?

- Of the total $348.9M budget, 67% is unrestricted fund for a total of $234.9M
- 74% of the unrestricted fund revenue is from students and families (tuition & fees)
CU DENVER
State of Colorado Funding

Denver Campus State Funding

- Only in recent years has state funding started to catch up to the long-term inflation adjusted levels.
- When state funding increases do not cover mandatory cost increases, this burden is shifted to tuition and fees.
- Colorado is 49th in the nation for higher ed state funding per FTE.
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Where does our money go?

FY 2022-23 Unrestricted Fund Expenses

- 74% of the unrestricted fund budget is salaries and benefits
- 7% goes to help students through institutional financial aid
- Commitments & obligations, such as AHEC and System support and debt service
- Other Operating includes all remaining expenses, such as technology, equipment, and travel
 Charges have increased by an average of 4.0% per year since FY 2012-13
- Over this 10-year period, expenses have increased 44%

- Tuition revenue has increased by an average of 3.3% per year since FY 2012-13
- Over this 10-year period, tuition revenues increased 37%
Since last spring, we have presented a challenging long-range budget scenario:

- Our revenue picture is challenging in the near future
  - This outlook scenario assumed 1% tuition and 4% state funding increases

- Expenses will continue to grow by at least mandatory increases, leading to further budget pressure
  - This scenario included no compensation increases
Since we developed this budget scenario in March 2022, the outlook has worsened:

- Fall 2022 enrollment under budget
- State revenue forecasts have softened
- High sustained inflation
- Recent softening Leading Economic Indices

We must work together to right size our institution in order to put ourselves in a fiscally strong position to grow
The long-range scenario was also built from a balanced budget for FY 2022-23.

Fall 2022 enrollment came in 1.3% below budget.

- This annualizes to a tuition deficit of approximately $1.0M, which the campus is covering with one-time reserves.
The campus is covering the $1.9M revenue shortfall for the initial FY 2022-23 budget with one-time reserves.

The 1.3% enrollment shortfall in fall 2022 annualizes to a tuition deficit of approximately $1.0M, which the campus is covering with one-time reserves.
The long-range scenario assumed 4% growth in state funding, but recent projections for state General Fund revenue are relatively flat.

Gross General Fund Revenue
Billions of Dollars
Percentages show year-over-year changes

Change Relative to June 2022
FY 2021-22: +$266 million
FY 2022-23: +$521 million
FY 2023-24: +$655 million

September 2022 Expectations

Source: Colorado Office of the State Controller and Legislative Council Staff September 2022 forecast.
High sustained inflation puts pressure on the campus to provide salary increases for employees.

...And may also put pressure on us to limit potential tuition rate increases.

Inflation is calculated as the growth in urban area prices in a given period relative to the same period in the prior year.
*Headline inflation includes all products and services. **Core inflation excludes food and energy prices.
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Internal Pressures

**Mandatory**

- Classified Salary Pool
- AHEC/System Increases
- Health Benefits
- Software License
- Risk Management
- Debt Service
- Compliance

**Areas for Investment**

- Faculty/Exempt Salary Pool and IRC Taskforce Recommendations
- Engineering Building
- Student Advising
- Institutional Financial Aid
- School/College Initiatives
- Central Support Unit Initiatives
- Operating Budgets
- Deferred Maintenance
- Capital Projects
- Campus-wide Reserves and Contingencies
- Investments in Student Retention
- Student Recruitment
- Research and Creative Work
- Diversity, Equity and Inclusion Initiatives
We are incorporating more conservative assumptions on the revenue and expense estimates moving forward.

We are using broad round numbers based on best estimates until we have all of the inputs in place. We won’t know all of the inputs until May 2023.

<table>
<thead>
<tr>
<th>Estimates as of September 2022</th>
<th>FY 2023-24</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td></td>
</tr>
<tr>
<td>New Sources (enrollment, tuition increases, state support, etc.)</td>
<td>$2,000,000</td>
</tr>
<tr>
<td><strong>Total Estimated Annual Change in Revenue</strong></td>
<td>$2,000,000</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
</tr>
<tr>
<td>Previous Year Revenue Less Expense</td>
<td>$2,900,000</td>
</tr>
<tr>
<td>Mandatory Costs</td>
<td>$5,000,000</td>
</tr>
<tr>
<td>Compensation (3%)</td>
<td>$3,600,000</td>
</tr>
<tr>
<td><strong>Total Estimated Annual Change in Continuing Expenses</strong></td>
<td>$11,500,000</td>
</tr>
<tr>
<td><strong>Revenue Less Expense (Cumulative)</strong></td>
<td>($9,500,000)</td>
</tr>
</tbody>
</table>
Governor’s November 2022 Budget Request for FY 2023-24 includes the following items that will impact the CU Denver outlook:

- 6.3% increase in state funding for CU (approximately $3M for CU Denver)
- 4.0% cap on undergraduate resident tuition increase
- 5.5% cap on nonresident tuition increase
- 5.0% across-the-board classified salary increase
Choosing to apply the proposed 5% salary increase to our faculty and exempt staff would increase the continuing expenses for the campus by another $3.5 million (in addition to the 3% salary increase estimates)

- While this has not yet been decided by our campus, System, and Regent leadership, we will plan to this scenario to ensure we find sufficient budget reductions to implement the salary increase that is ultimately approved.

This brings the total FY 2023-24 structural budget deficit to between $9-$12 million.
What is our task at hand?

- We will balance our $235 million budget and closing an anticipated $12 million structural budget deficit by fiscal year 2024-25 with half of that deficit closed by fiscal year 2023-24.
- We will keep a growth mindset so we avoid reductions that could impede our success.
By March 2023, we are asking schools, colleges, and administrative units to identify the following reductions:

- **Schools and Colleges**
  - 3% reduction to be implemented by June 30, 2023
  - 4% reduction to be implemented by June 30, 2024

- **Administrative Units**
  - 4% reduction to be implemented by June 30, 2023
  - 4% reduction to be implemented by June 30, 2024
How quickly must we create our proposed reductions?

- The Board of Regents timeline dictates our timeline
  - Our finalized FY 2023-24 budget proposal is due to the CU System Office by mid-March 2023
- We need to be strategic, university-wide

- We need to prioritize the strategic plan and strategic enrollment management plan, including leveraging our new digital strategy

- We need to bring greater focus and intentionality to student recruitment, persistence, retention, and graduation
What is the timeline and process?

- **Nov 1**: Schools, colleges, and admin units identify budget proposals with support team.
- **Dec 1**: Cabinet and Deans discuss preliminary budget proposals.
- **Jan 1**: Cabinet and Deans synthesize penultimate budget proposals.
- **Feb 1**: Revise and refine budget proposals.
- **Mar 1**: Finalize budgets.
What are my ways to engage?

Short-Term (Now-March 2023)
- Provide feedback and submit questions on the website.
- Provide feedback to your shared governance leadership.
- Engage in processes specific to your school/college/unit set up by your dean or vice chancellor.
- Attend future information sessions when they are offered in the new year.

Longer-Term (Spring, Summer, Fall 2023)
- Participate in an academic committee
- Provide feedback and/or participate in rapid improvement sessions focused on administrative topics
Toward Achieving Vision 2030 Website

- Budget Overview Information
- FAQs
- Engagement Opportunities
- Updates
- Contact Form

https://www.ucdenver.edu/achieving2030