



CU Denver FY 2023-24 Budget & FY 2024-25 Initial Planning

October 2023

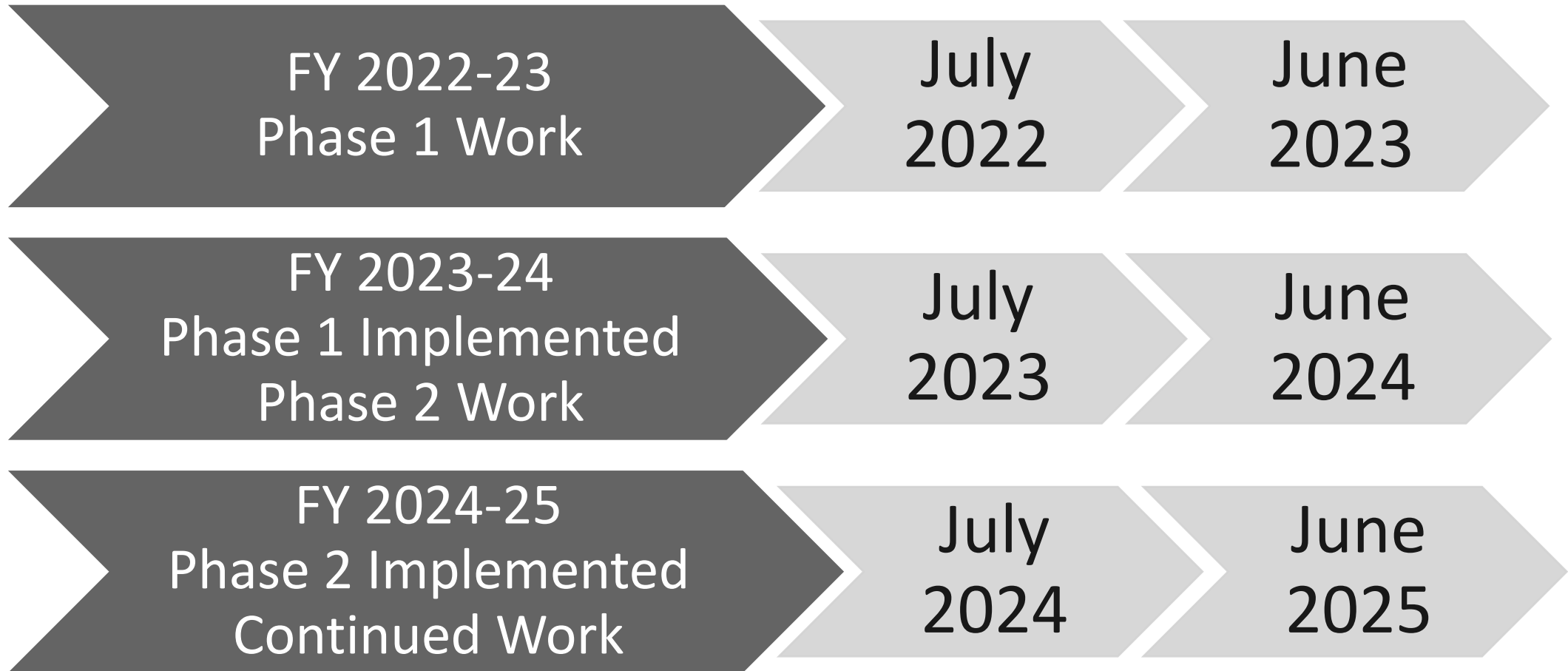


University of Colorado **Denver**

How We Got Here

- ▶ Shifting enrollment trends at colleges and universities across the country
- ▶ Lower enrollment at CU Denver over the last several years, combined with pressure to keep tuition and fees flat
- ▶ State funding for research institutions in Colorado is among the lowest in the nation
- ▶ Inflationary pressures
- ▶ Here and across the country, there are calls to increase employee pay, which we continue to prioritize including the 3% merit pool effective January 2024
- ▶ Costs for benefits and other mandates, including AHEC and System Office, keep going up
- ▶ Cost increases as we create Denver-focused services, as was called for by the community during the 2021 strategic planning process

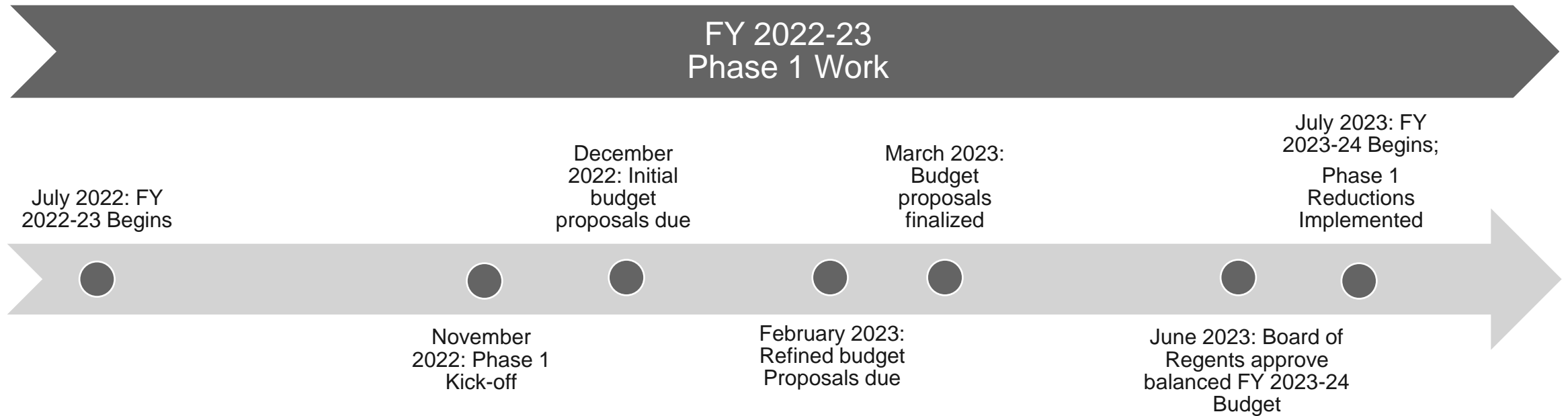
High Level Timeline Review



Phase 1 Recap

The 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.”



CU DENVER

Phase 1 Approved Budget Reductions Dashboard



CU Denver Phase 1 Approved Budget Reductions

A holistic, university-wide budget realignment initiative

72

The number of approved first round budget reduction proposals to take place on **June 30, 2023**

Totaling \$6.3M

60+

Additional ideas surfaced through a range of conversations and sessions with the community requiring additional business analysis, discussion, and prioritization by senior leadership and campus community. These ideas are being shifted to phase two of the budget realignment process.

All units have reached their target reductions - here are the totals: [Hover over the numbers for unit specific totals](#)

4%

reduction target

\$1.3M

from Chancellor, Administration and Strategy Units

\$1.2M

from Provost - Administrative Units

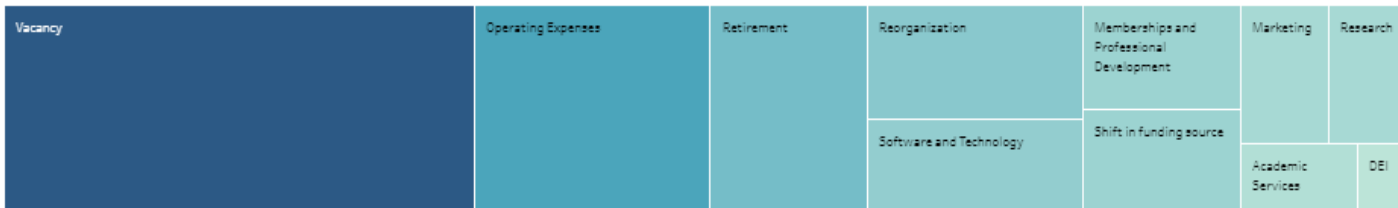
3%

reduction target

\$3.8M

from Schools and Colleges

All approved reductions fell into these categories: [Hover over for detail](#)



We achieved \$6.3 million in ongoing budget reductions in Phase 1 to help balance the FY 2023-24 budget

- ▶ 4% reductions from central administration
- ▶ 3% reductions from schools and colleges

▶ Most of the reductions were achieved through eliminating vacancies, retirements, and general operating reductions

▶ Details can be found in the Phase 1 Budget Reductions Dashboard

<https://ucdenver.edu/achieving2030>



How did we balance?

We balanced the FY 2023-24 budget without needing to use one-time funds, meaning we closed the estimated \$12M budget shortfall in one year. This was due to the collective work of our campus community last year to reduce our ongoing budget by more than \$6 million and some of our planning assumptions turned out differently or more favorable than we predicted:

Initial Phase 1 Planning

- 1% tuition rate increases
- 4% state funding increase
- 5.6% increase to employee health, life, and dental rates

FY 2023-24 Final Approved Budget

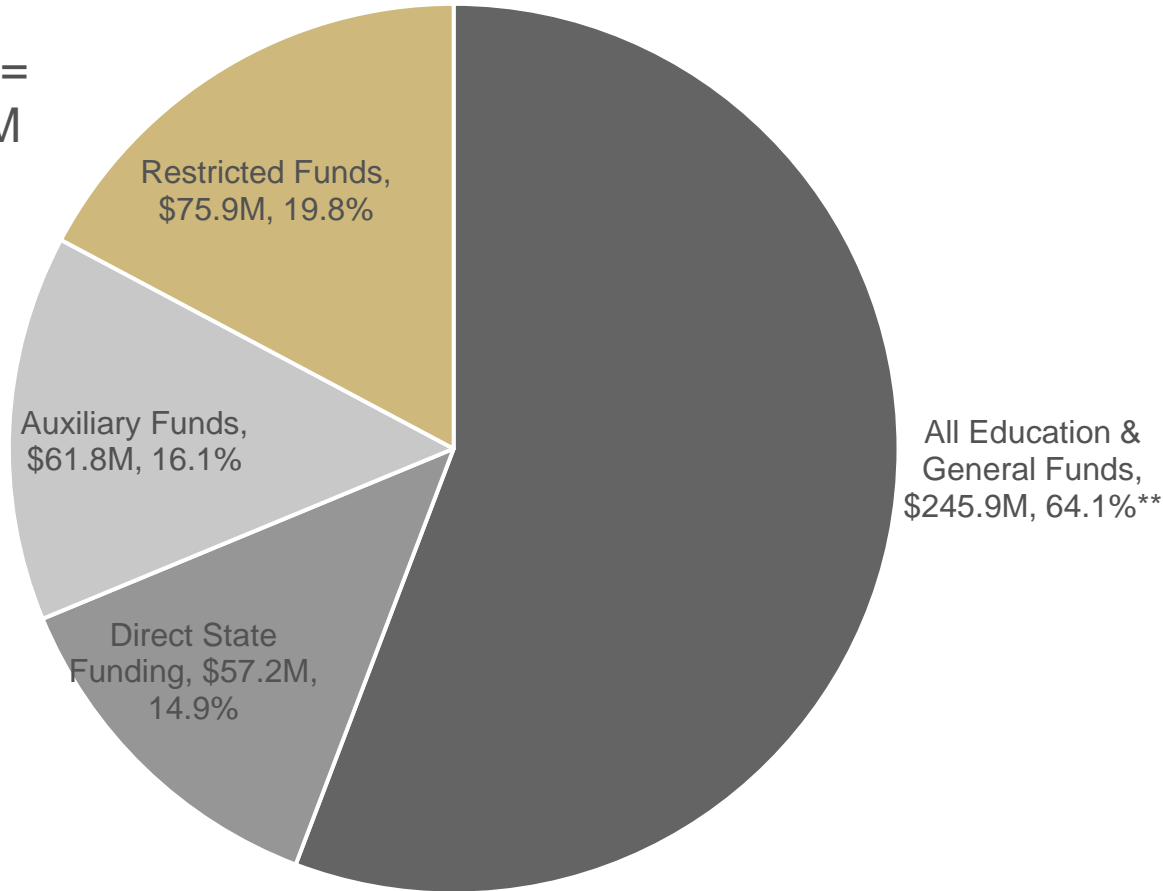
- 5% tuition rate increases
- 12% state funding increase
- 3.8% increase to employee health, life, and dental rates

This combination of high state funding and tuition increases with low benefits increases are unlikely to happen again

Where does our money come from?

FY 2023-24 Source of Revenue (Millions)

Total Budget = \$383.7M



Educational and General Fund

- Main Campus Undergrad and Grad Tuition
- Direct State Funding
- Indirect Cost Recovery

Auxiliary and Self-Funded Activities

- Extended Studies (D2)
- Continuing Education for non-credit (D3)
- Housing & Dining, Wellness Center

Restricted Funds

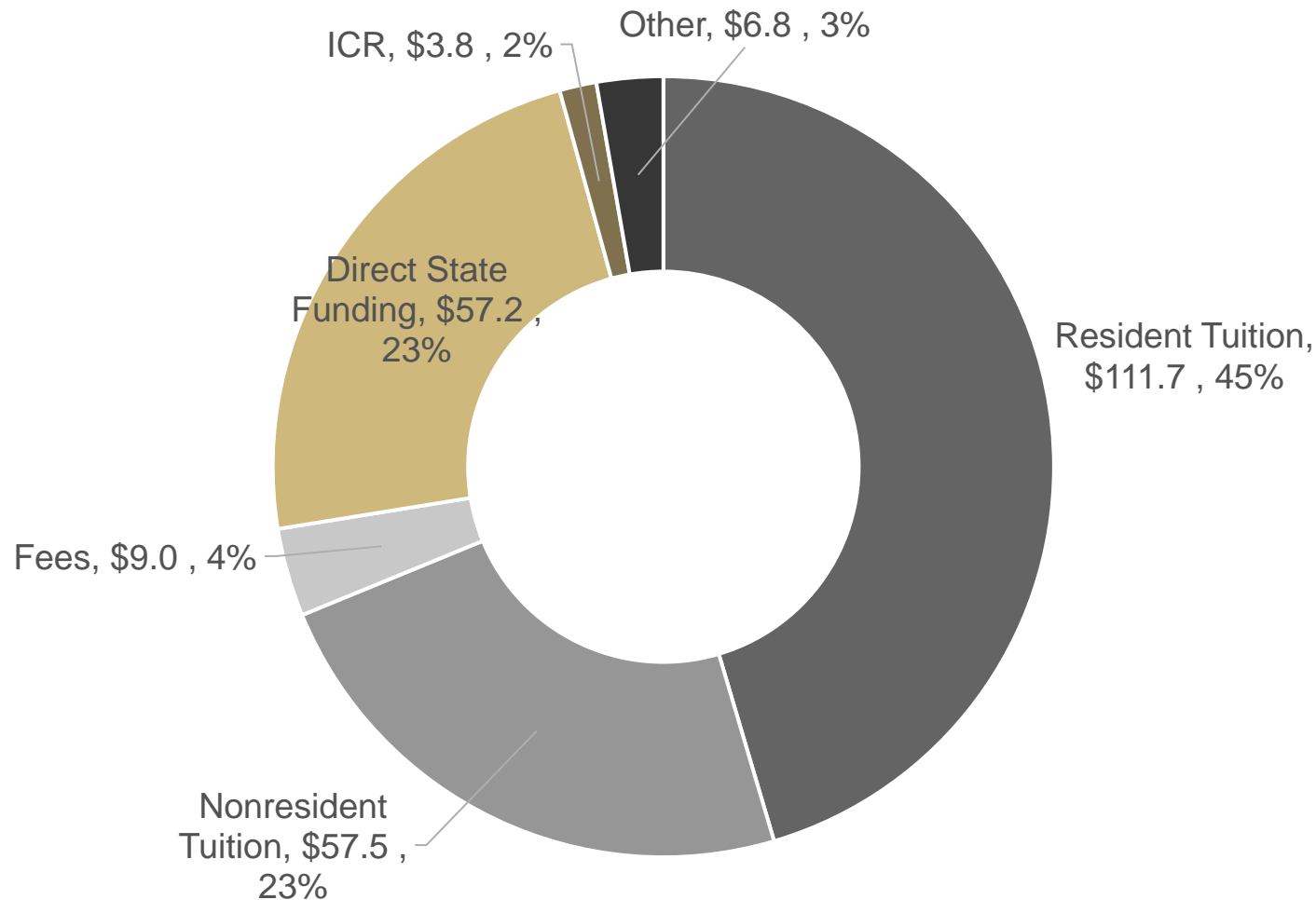
- Federal Financial Aid
- Sponsored project awards (e.g., grants, contracts from businesses, foundations, and federal or state government agencies)
- Gifts

**Educational & General Funds includes Direct State Funding (14.9%)



Where does our money come from?

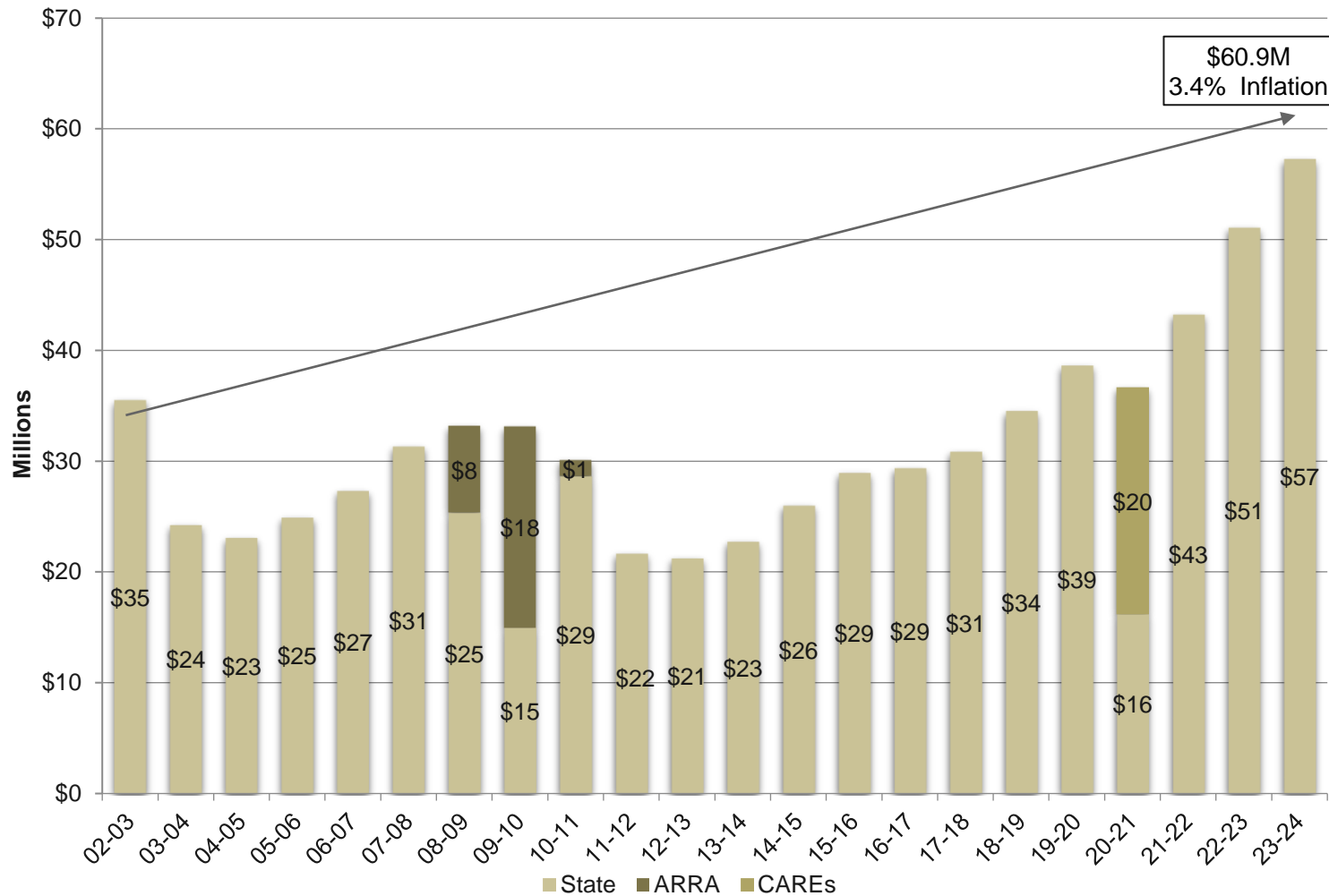
FY 2023-24 Education & General Budget Sources of Revenue (Millions)



- ▶ Of the total \$383.7M budget, 64% is unrestricted fund for a total of \$245.9M
- ▶ 72% of the unrestricted fund revenue is from students and families (tuition & fees)

State of Colorado Funding

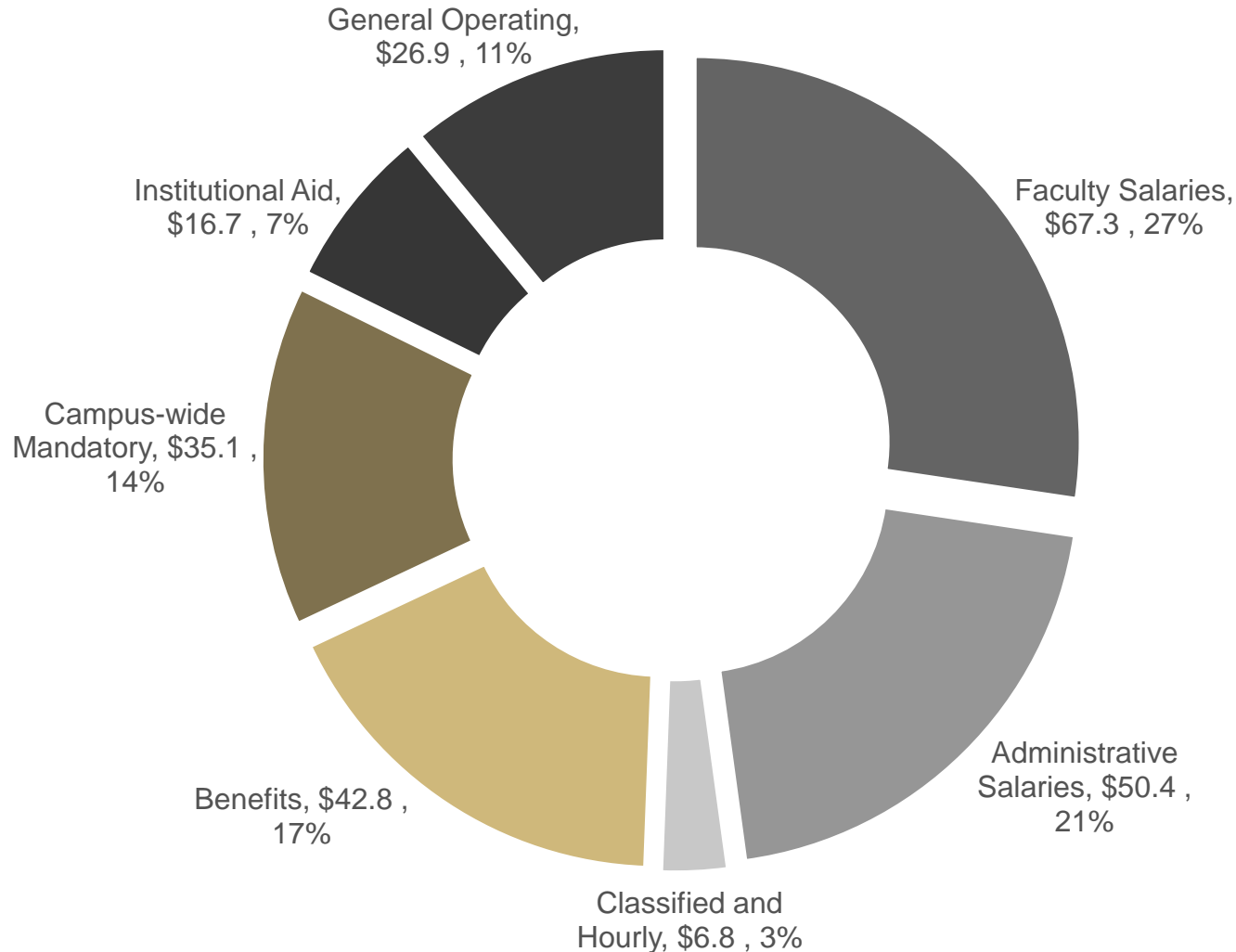
Denver Campus State Funding



- Only in recent years has state funding started to catch up to the long-term inflation adjusted levels
- Colorado is 45th in the nation for higher ed state funding per FTE (2022)
- When state funding increases do not cover mandatory cost increases, this burden is shifted to tuition and fees

Where does our money go?

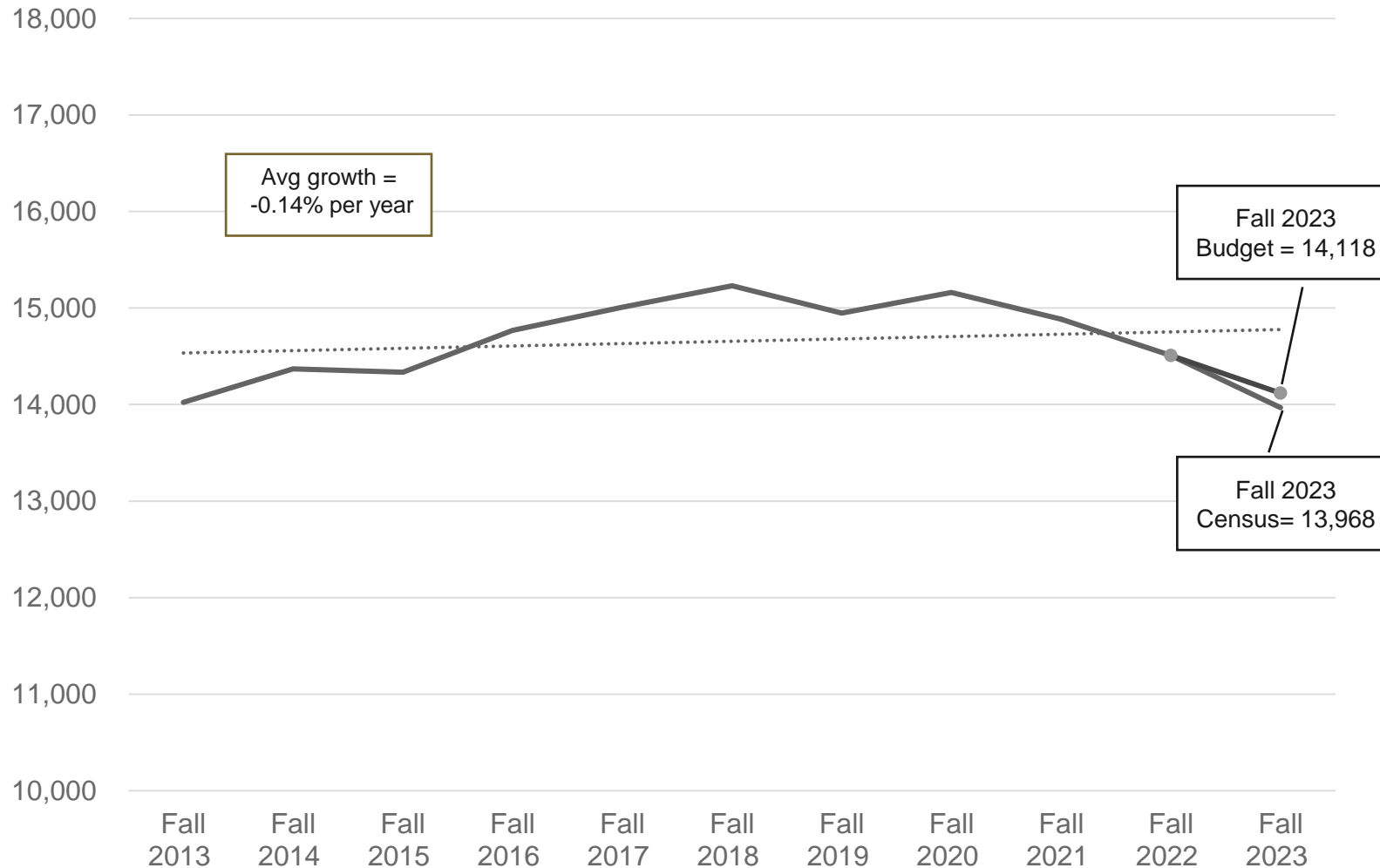
FY 2023-24 Unrestricted Fund Expenses



- ▶ 70% of the unrestricted fund budget is salaries and benefits
- ▶ Campus-wide obligations, such as AHEC and System support and debt service, is 14%
- ▶ 7% goes to help students through institutional financial aid
- ▶ Other Operating includes all remaining expenses, such as technology, equipment, and travel, is 11%

CU DENVER FY 2023-24 Update

Denver Campus Enrollment

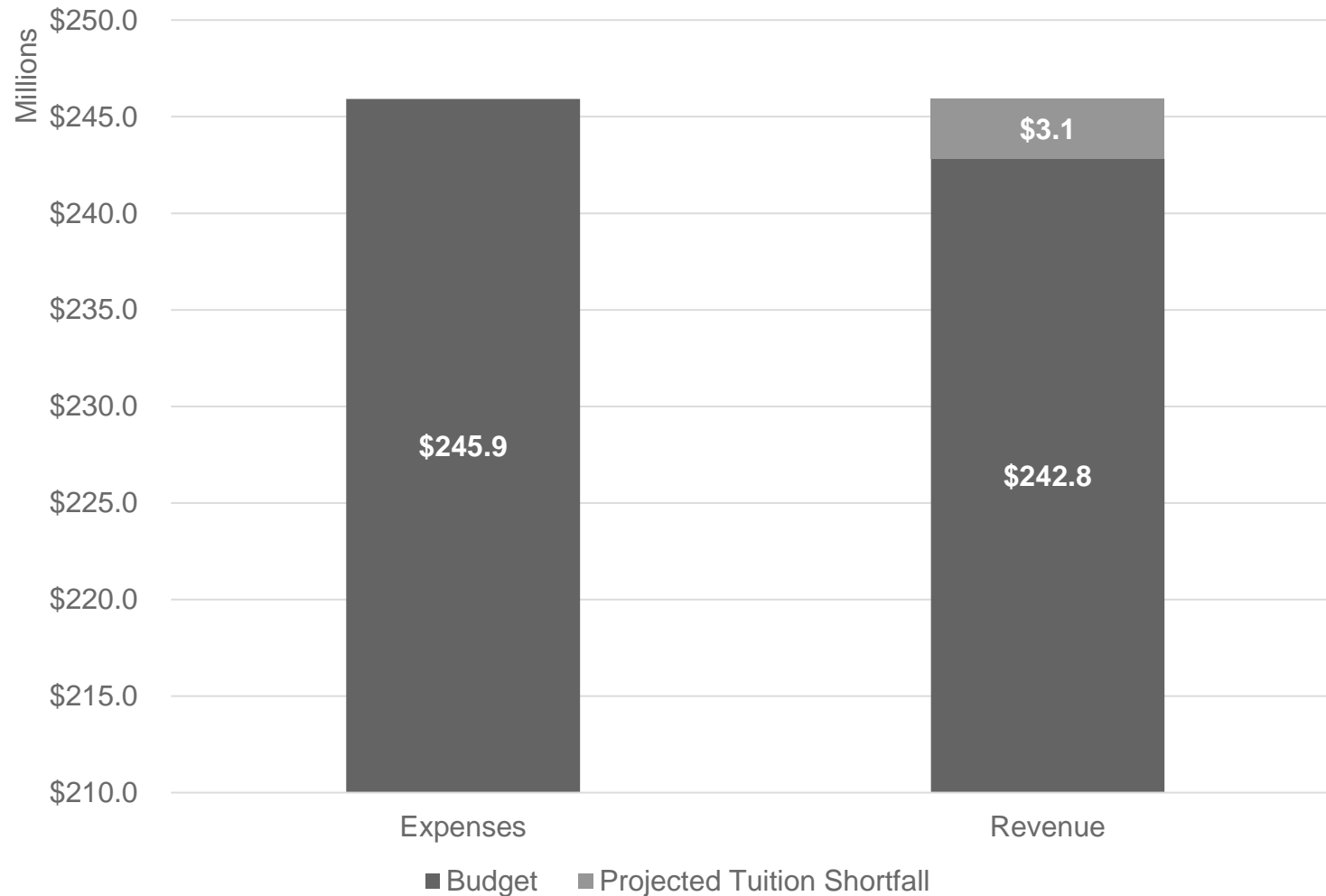


We are heavily reliant on enrollment, with nearly two-thirds of unrestricted fund coming from tuition & fees

- ▶ Fall 2023 census is 3.7% below Fall 2022 (-541 students)
- ▶ This is approximately 1.1% below budgeted enrollment (-150)
- ▶ We have an opportunity to mitigate this fiscal impact through strong and full participation in our Spring 2024 new enrollment and retention efforts

CU DENVER FY 2023-24 Update

FY 2023-24 Update



- ▶ Accounting for mix, this enrollment projection annualizes to tuition revenue approximately \$3.1M below budget
- ▶ We are currently balancing the FY 2023-24 enrollment shortfall by pausing the planned 2% equity and retention pool (\$3.3M)
- ▶ We are actively exploring options to utilize one-time funds to honor our commitment to equity

FY 2024-25 Planning Assumptions

FY 2024-25 Initial Planning Assumptions (as of June 2023 for Board of Regents)		
	FY 2024-25	
<u>Revenues</u>		
	Assumption	\$ Estimate
Enrollment	-2.32%	(\$3,500,000)
Tuition Rate Increases	4.90%*	\$8,130,000
State Funding	4.80%	\$2,750,000
Total Revenue		\$7,380,000

- ▶ Enrollment projections assumed a smaller decrease in Fall 2024 than Fall 2023
- ▶ CU System assumptions include tuition rate increases tied to projected inflation
 - ▶ This is for planning purposes only, and CU Denver has not proposed tuition rate increases that would be effective Fall 2024
- ▶ CU System assumptions for state funding are lowered starting in FY 2024-25
 - ▶ This is due to projected general fund constraints in the State budget due to TABOR

*FY 2024-25 Tuition Rate assumption of 4.9% is for planning purposes only.

FY 2024-25 Planning Assumptions

FY 2024-25 Initial Planning Assumptions (as of June 2023 for Board of Regents)		
	FY 2024-25	
Expenses		
	Assumption	\$ Estimate
Mandatory Costs	\$5,000,000	\$5,000,000
Benefits	4.77%	\$2,050,000
Merit/Equity Pool	3.00%**	\$4,700,000
Total Expense		\$11,750,000

- ▶ Mandatory cost increases average \$5M per year
 - ▶ These include increases such as classified staff compensation, AHEC funding, System funding, utilities, and software licenses

- ▶ All CU campuses have been asked to assume a 3% merit pool
 - ▶ This is for planning purposes only, and CU Denver has not proposed a merit pool level for January 2025

**FY 2024-25 Merit Pool Assumption of 3% is for planning purposes only. These have not yet been proposed and is not guaranteed

FY 2024-25 Planning Assumptions

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Merit/Equity Pool	3.00%**	\$4,700,000
Total Expense		\$11,750,000
Projected Deficit		(\$4,370,000)

- ▶ Putting all of these assumptions together provides estimates of:
 - ▶ \$7.4M increased revenue
 - ▶ \$11.8M increased expenses
 - ▶ \$4.4M deficit of available revenue to estimated expenses

- ▶ The key to fiscal health and sustainability is enrollment stability. This will mean aligning curriculum with student demand and job market trends

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**FY 2024-25 Merit Pool Assumption of 3% is for planning purposes only.

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FY 2024-25 Reduction and Allocation

- ▶ Implementing a cut target of about \$5M for FY 2024-25, with the same percent cut shared by schools/colleges and administration
 - ▶ Cover our current enrollment dip and enable us to withstand possible enrollment drops in the future
 - ▶ Allow for uncertainty in state support and mandatory expense assumptions
 - ▶ Create budgetary room for strategic enrollment and growth investments
 - ▶ Enable us to work toward equity and retention compensation adjustments in the future

FY 2024-25 Reduction Recommendation

FY 2023-24 Budget by Area (millions)

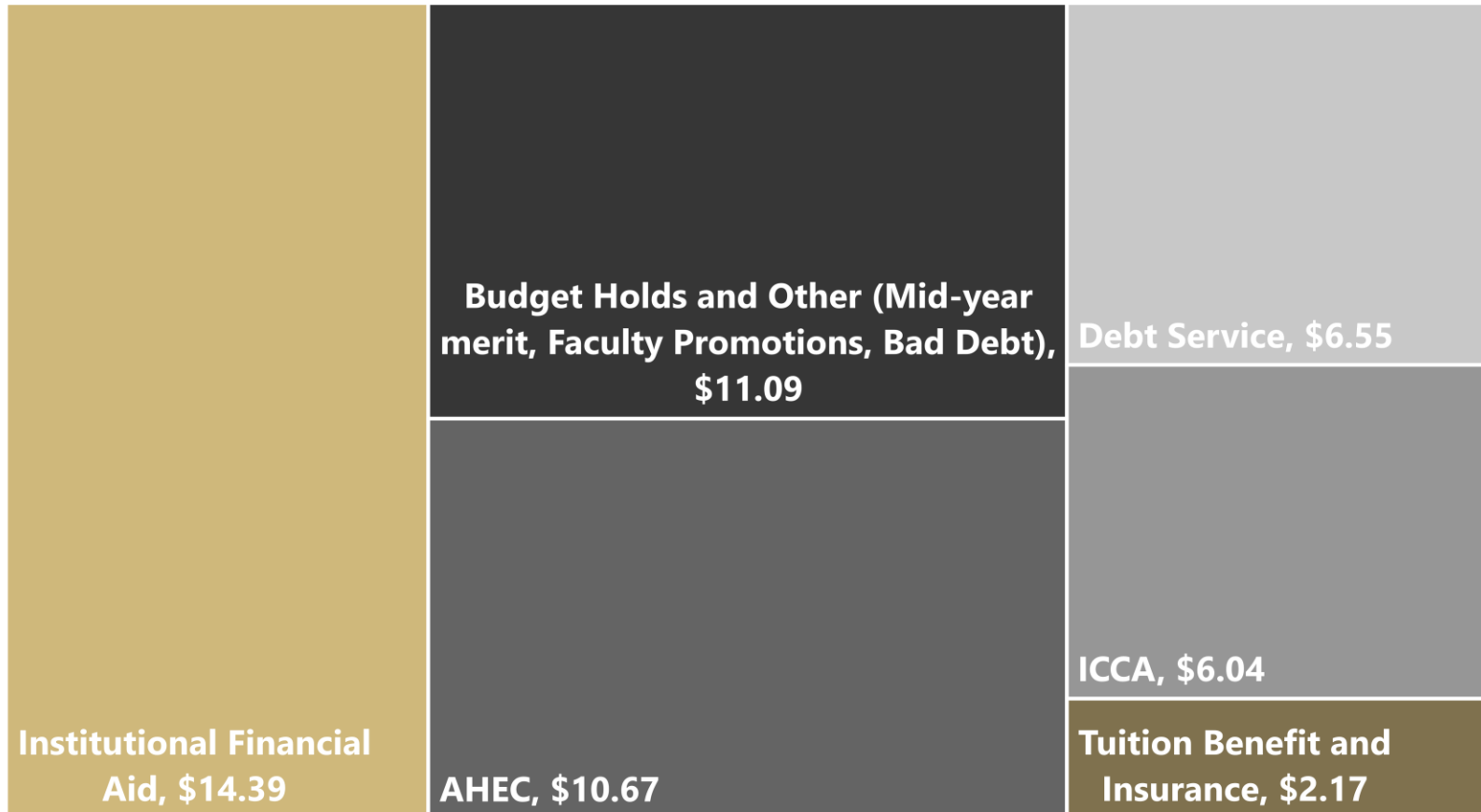


“Net Budget”

	FY 2023-24 Budget	Proposed % Reductions	Proposed \$ Reductions
Unrestricted Fund net of Campus-Wide ("Net Budget")	\$195,015,762	2.6%	\$5,070,410
Schools and Colleges	\$122,916,915	2.6%	\$3,195,840
Administration	\$72,098,847	2.6%	\$1,874,570

Campus-wide Detail

Campus-Wide (millions)

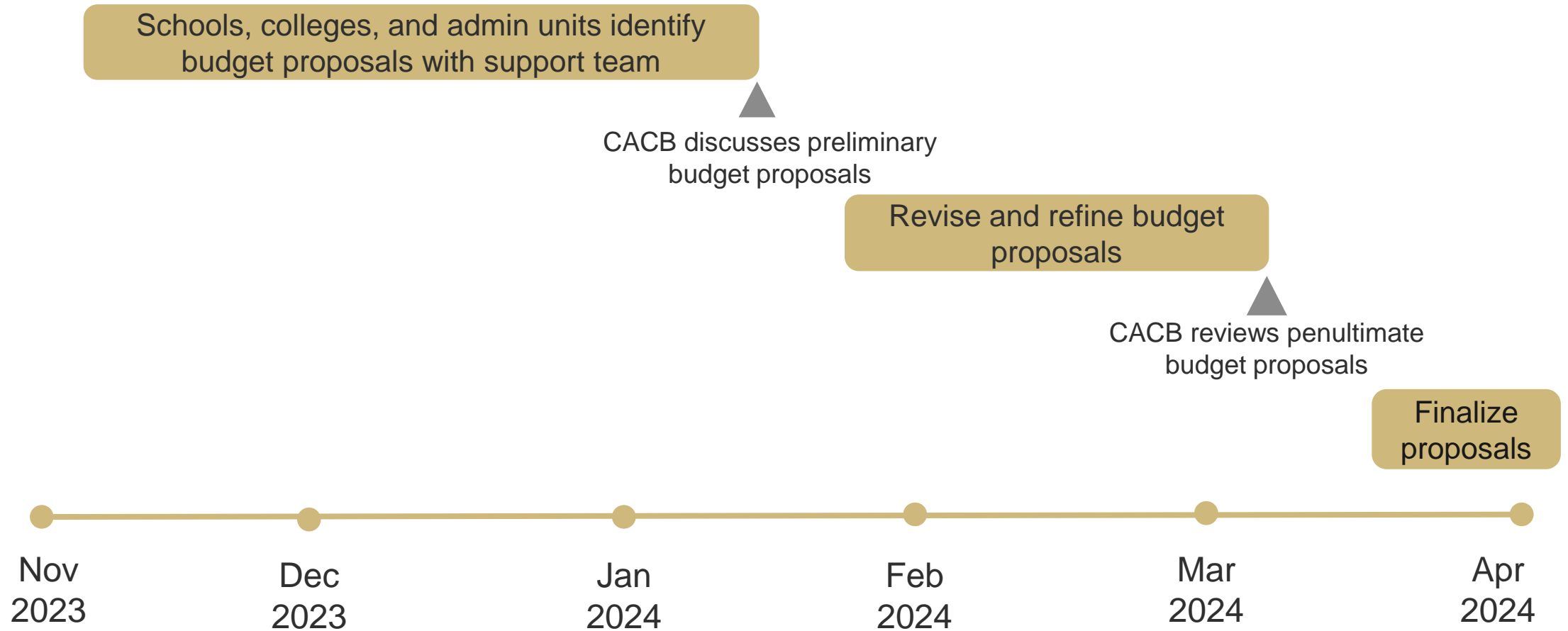


	FY 2023-24 Budget
AHEC	\$10,674,397
ICCA (System Office)	\$6,038,979
Debt Service	\$6,545,480
Institutional Financial Aid	\$14,391,389
Tuition Benefit and Insurance	\$2,172,314
Budget Holds and Other (Mid-year merit, Faculty Promotions, Bad Debt)	\$11,085,780
Total	\$50,908,339

FY 2024-25 Reduction and Allocation Recommendation

- ▶ While budget reductions are never pleasant, this 2.6% reduction is less than the 4% reductions we projected last year.
- ▶ We are considering potential **one-time investments**, in consultation with our deans, to help increase academic program growth and retention in areas where it makes the most sense.
- ▶ Launching a **one-time-only campuswide voluntary faculty/staff retirement program** to allow community members to make career or life changes that are right for them while giving the university greater financial flexibility, subject to one-time funds available for the program.

What is the timeline and process?





Discussion