Budget Allocation Review Committee Recommendations Report

May 2025

Executive Summary

The Budget Allocation Review Committee (BARC) was established as a multi-level, cross-unit committee in August 2024, with the charge of assessing the University of Colorado Denver's (CU Denver) 2017 model's usefulness and pain points, working collaboratively to evaluate alternate models and any necessary metrics, and supporting an enhanced awareness of financial information across the campus community.

Following a full academic year of study and meetings, including a wide range of communications to campus via unit-level and campus-wide briefings, the BARC is recommending a metric-based model that allocates main campus tuition and state appropriations to university mandatory expenses, campus-support units (administrative), and schools/colleges. A full description and visual representation of this recommended model is shown on page 22 of this report.

The recommended model is responsive to a range of challenges with the paused (2017) budget model, particularly with regard to volatility, the current constraints of the CU Denver fiscal environment, alignment with the strategic plan, the desire and need for collaboration across departments and units, support for all university functions, and the challenges of balancing priorities across teaching, research, and student learning and support.

Within the body of this report, detail is provided on the range of options that the committee assessed, decision-making processes, and some of the lingering questions that remain amongst committee members. FY 2025-26 will be a "parallel budget year", during which the proposed budget recommendations contained herein will be assessed against the guiding principles and the actual budget allocations for FY 2025-26. Any necessary adjustments will be proposed prior to application for the FY 2026-27 budget planning process.

Key recommendations include the following:

1. Application of a metrics-based budget model
2. Revenue input to the model includes main campus tuition revenue for both undergraduate/graduate and resident/non-resident, as well as state appropriations.
3. University mandatory expenses will be allocated at the "front end" of the model.
4. An initiatives pool of 1% of the revenue will be established prior to unit-level allocations.
5. Schools/colleges and campus-support units will split remaining revenue. A determination of the split proportion will be made during the parallel budget year, based on current and prior actual proportions. A 65%/35% split is an anticipated target.
6. Within schools and colleges, tuition revenue will be allocated based on 50% student credit hours of major, and 50% student credit hours of instruction. State funding will be allocated based on resident student credit hours of major.

7. The above metrics will use a weighted three-year average, with the most recent year weighted at 50%, two years prior weighted at 30% and data from three years prior weighted at 20%.
8. Decisions regarding academic cross-subsidization (subvention) levels, offsets for differential tuition allocations and academic auxiliary activity, and subvention levels over time will be made by the Deans and executive leadership.
9. Members of BARC, in conjunction with the Office of Budget & Fiscal Planning, executive leadership, the Campus Advisory Committee on Budget, and the Faculty Assembly Budget Priorities Committee, will assess the recommendations contained therein and propose adjustments necessary to achieve the objectives of the BARC charge and subsequent Guiding Principles developed by the committee.

The BARC committee members achieved the committee's charge on time and in exemplary ways. The group engaged in active learning, thoughtful and engaged discussion, maintained an emphasis on the collective outcomes for the institution, and served as effective communicators to and from their respective units. They are to be commended for their dedication throughout this academic year, and for the commitment they demonstrated in service to CU Denver's long-range success.

Table of Contents

Section	Page Number
Context	
Background on the CU Denver Budget Model	4
Budget Model Governance	4
Challenges with the Budget Model	5
Budget Allocation Review Committee	
Purpose of the BARC	8
BARC Membership	10
BARC Timeline	11
Campus Engagement	12
Budget Model Recommendations	
Process and Methods	14
Proposed Budget Model	15
Outstanding Decisions	23
APPENDIX	
Appendix A: Detailed BARC Meeting Calendar	25
Appendix B: BARC Meeting Key Messages	27

Context

Background on the University of Colorado Denver (CU Denver) Budget Model

In Fall 2016, Chancellor Horrell established five priorities to guide CU Denver's ongoing success: 1) Student success, 2) Scholarly preeminence, 3) Community impact, 4) Inclusive excellence, 5) Long-term financial sustainability. Those priorities helped to guide the creation of CU Denver's first incentive-based budget model.

At the time, CU Denver had long used an incremental approach to resource allocation. Under such a model, allocations are based on the funding levels of the previous year; new revenue results in equal percentage increases for all units and in hard times, budget cuts are typically across-the-board. While this approach can be successful when revenue is steadily climbing, if a university is financially dependent on enrollment and prone to swings in enrollment, an incremental budget can generate financial uncertainty. An incremental model typically does not encourage the type of action needed to create growth, properly reallocate financial resources, nor contain costs.

Financial sustainability is the foundation that supports all other efforts to meet the needs of students, support faculty and staff and create a vibrant campus community. With that in mind, CU Denver launched a project in 2016 to design a new incentive-based budget model with support from Huron Consulting Group, an education and research consultant. This approach sought to align investments and resources with strategic priorities by incentivizing the types of activities that drive both student and financial success. This includes generating funds, reallocating resources toward strategic priorities, and better containing costs.

The 2017 budget model was built around a set of five guiding principles:

1. Develop a flexible budget model that aligns financial resources with campus vision, mission, and strategic priorities as a student-centered, urban-serving research university
2. Ensure and support continuous improvement in academic quality, scholarship, and student success
3. While promoting fiscal responsibility and financial sustainability, provide a simple, predictable, and transparent methodology for allocating resources and managing associated costs
4. Build on the strengths of CU Denver, include incentives for achieving growth, efficiency, effectiveness, innovation, and entrepreneurship
5. Reflect a shared commitment for the fiscal health of the campus and promote collaboration and accountability across all academic and administrative units

Along with the incentives built into the model, a campus-wide budget governance structure was created as a forum for schools, colleges and the central support units to discuss strategies and work together to achieve university priorities.

Budget Model Governance

The CU Denver budget model is governed by the Campus Advisory Committee on Budget (CACB) and the Executive Budget Committee, each with a distinct charge.

Campus Advisory Committee on Budget (CACB)
Members: Provost, the Executive Vice Chancellor for Finance & Administration, Deans, Chancellor's Cabinet members, and shared governance leadership (faculty, staff, and students)

Charge:
- Serve as an advisory body for campus-wide budget development activities
- Advise the Executive Budget Committee on budget development related items
- Communicate and collaborate with faculty and staff, including campus committees, to implement campus-wide strategic priorities
- Meet on a regular basis to support the budget development process
- Conduct reviews and recommend potential revisions to the incentive-based budget model

Executive Budget Committee
Members: Chancellor, Provost, EVC Finance & Administration/Chief Financial Officer

Charge:
- Evaluate and finalize all funding decisions
- Recommend campus-wide budget to the Board of Regents
- Review and approve funding levels for schools, colleges, and central support units
- Review and approve CACB and Deans' recommendations for strategic initiatives, subvention levels, or model revisions
- Communicate funding decisions
- Delegate authority for activities throughout the budget development process

Challenges with the Budget Model

Best practice suggests that campus budget models should be assessed on their continued effectiveness approximately every five years. Over the past seven years, the current CU Denver budget model has generated several concerns among campus constituents, which highlight the need for strategic adjustments. Key concerns include the following:

Subvention

One significant area of confusion involves the term "subvention" and its impact on various schools, colleges, and units. Subvention refers to the adjusted financial support provided to units that don't generate or are not allocated sufficient revenue within an incentive-based budget model to cover their expenses. This support is intended to ensure these units can operate effectively, but there is also concern among constituents that it can create disparities between units or enable delays in necessary decision-making, especially when the allocation of subvention funds is not fully transparent or aligned with institutional priorities.

Academic Auxiliaries (D2 and D3)

Another point of concern lies in the rules and issues surrounding academic auxiliaries (referred to as D2 and D3), which represent different categories of funding from tuition, fees, and state funding.

These sources of revenue are not currently incorporated into the budget allocation methodology, which often leads to misunderstandings and inefficiencies in resource allocation.

Various sources of funds

There is confusion regarding the distinctions between continuing budget, temporary (one-time) budget, carry-forward funds, and cash balance. While these terms may seem interchangeable, they represent different financial resources with different implications for budgeting and planning.

- Continuing budget is used for ongoing operational expenses that are planned to occur in each year, such as faculty or staff salaries and benefits. Continuing budget is available when there is a reasonable expectation that the revenue will continue to be available in the future, such as tuition revenue, and is utilized in both the general fund and auxiliary fund.
- Temporary (one-time) budget is allocated for specific, non-recurring purposes, for example a pilot initiative. Temporary funding may be provided by the CU Office of the President, executive office strategic priorities funding, or initiatives funds from local reserves or cash balance. Temporary budget is utilized when there is not a reasonable expectation that the revenue will continue to be available in the future and is utilized in both the general fund and auxiliary fund.
- Carry-forward funds are general fund balances (from either continuing or temporary budget) from the previous budget year that can be used in the current year for Board approved uses, typically for completion of an already initiated project or expense; and,
- Cash balance refers to available auxiliary revenue from self-funded, self-sustaining and independent entities. Cash balance is typically carried as a contingency against revenue fluctuations and one-time investments in the program.

Understanding these differences is crucial for effective budgeting and long-term financial planning, and the lack of clarity about these funding sources has made it more challenging for constituents to fully comprehend how the budget model works.

Volatility

Another key issue is the volatility of the current budgeting environment. With declining enrollment numbers, shifting funding sources, and external financial pressures, CU Denver faces significant challenges in managing its budget in a predictable and strategic manner. There is a clear need for a model that can mitigate this volatility at the unit's budget level, providing a more stable, predictable and incentivized financial framework for long-term planning.

Constrained financial environment

As CU Denver faces tighter budgets, it is essential to incentivize growth, retention and innovation, which are the primary mechanisms for increasing the university's budget within a constrained environment. The current budget model may not always create incentives for retention or growth, which may hinder the university's ability to adapt to changing educational needs and market demands. A revised model should encourage responsible growth, even as resources become scarcer.

Alignment to the strategic plan

Another critical question revolves around how the current budget allocation model ties to the 2030 Strategic Plan. Many constituents feel that the model does not adequately reflect or support the university's long-term goals, such as fostering innovation, improving student outcomes, or advancing research and creative work. A budget model that better aligns with strategic objectives would allow the institution to allocate resources more effectively in pursuit of these overarching goals.

Fostering collaboration

The current model lacks mechanisms to incentivize and encourage collaboration across departments and units. Given the complex nature of academic and administrative work, fostering collaboration is essential for the success of interdisciplinary initiatives, yet the existing budget structure may inadvertently discourage cooperation by failing to reward or prioritize shared goals.

Supporting all university functions

Equally important is ensuring that the new model supports all university functions that are necessary to enroll and retain students, including schools, colleges, student support services, mandatory expenses, marketing, central administration, and research and creative activities. All play a critical role in the institution's mission and should be adequately supported by the budget.

Balancing priorities

Lastly, there is the ongoing challenge of balancing the priorities of teaching, research and creative work, and student learning and support within the budgeting model. Each of these areas is integral to the university's mission, yet the current model may not provide clear guidance on how to best allocate resources to meet these often-competing goals. A more holistic approach to budgeting is needed – one that ensures all aspects of the university's mission are supported, while also enabling flexibility to respond to evolving needs.

Budget Allocation Review Committee (BARC)

Purpose of the BARC

The 2017 CU Denver budget model was paused beginning in 2023-24 due to the budget reductions that were necessary to address the university's declining enrollment and rising costs. Rather than restart the old model, it was decided to revisit the existing model and update it to reflect the university's current post-pandemic realities. Ann Sherman, Executive Vice Chancellor of Administration & Finance, charged the Budget Allocation Review Committee (BARC) in August 2024 to revisit and revise the CU Denver budget model. The full text is included below.

> *BARC Charge (Issued by EVC Ann Sherman in August 2024)*
>
> The diligence of the many people engaged in the Phase 1 and Phase 2 budget reductions of the past two years is a testament to the dedication of our teams to CU Denver's success. The budget allocation committee's work, outlined below, is intended to consider our current practices, with the goals of broadening understanding and alignment with our strategic priorities. The committee's work is time-bound within the 2024/2025 academic year, and will move at a relatively fast pace, while also holding time for comprehensive understanding and robust discussion across the campus.
>
> The committee's learning and dialogue is intended to result in a revised budget model and allocation methodology that enables us to determine how budgets, resources, and incentives are assigned, in keeping with higher education's evolving practices and in ways that promote the financial health of the campus overall, while meeting the needs of schools, colleges, and programs. The key objective/outcome of this team's work is a recommendation regarding CU Denver's future budget allocation process which will foster the following:
>
> - To build a healthy financial awareness that aligns with CU Denver's strategy and enables adaptive responses to emerging opportunities.
> - To establish a multi-year financial horizon which includes an understanding of revenue, as well as enduring allocation principles which facilitate our institutional objectives.
> - To explore budgeting principles in ways that enable each institutional unit to be successful in contributing to our collective mission and purpose.
> - To identify improvements to the allocation process that increase institutional strategic flexibility, transparency, and accountability in decision-making.
> - To support the future work of shared governance groups across the CU Denver campus through the development of timely, accurate information by which to encourage informed discussion and debate on matters of common interest.
>
> In light of the goals and timeline, it is imperative that the members of the committee are able to commit to the following:
>
> - To keep the mission and purpose of CU Denver as the primary lens by which recommendations and decisions are developed and made.
> - To adequately characterize the perspectives and interests of the represented constituency.

- To actively participate and engage in bi- or tri-weekly committee meetings and periodic communications events beginning in September 2024 and concluding no later than the end of the Spring 25 semester.
- To facilitate information-sharing and feedback-gathering sessions on questions of interest to the committee, and socialization of proposals.
- To remain open to learning and productive dialogue about how CU Denver's financial resources are allocated and/or held by various departments across the university.

It is said that financial allocations are key indicators of an organization's key priorities. I look forward to working with you on this important and exciting body of work, and our kick-off in September. The CU Denver executive team eagerly looks forward to your work product and recommendations!

Chancellor Christensen's Endorsement
In March 2025, Chancellor Christensen visited the BARC during a regular committee meeting and spoke in support of the committee's work, reinforcing the importance of the committee's charge. He also emphasized several key priorities of the work from his perspective. A summary of his comments to the committee is below.

The budget model should be agile, strategic, and aligned with the university's growth vision. Key priorities include enhancing revenue streams through diverse educational offerings, fostering innovation, and focusing on retention and student pathways. The model should encourage collaboration and investments, while ensuring that each program and initiative aligns with the long-term strategic goals of the institution. Regular assessment and adaptability will be crucial to staying ahead in a competitive market.

1. Alignment of Budget with Long-term Vision through Strategic, Sustainable Growth:
   - Growth is key: The university must focus on strategic, sustainable growth, recognizing that while enrollment challenges persist, there is an opportunity for expansion. This growth should not just be about increasing traditional enrollment but also enhancing and broadening the learner base and revenue diversity through various educational offerings such as non-degree programs through Continuing and Professional Education (CPE). The campus has tremendous opportunity to both increase enrollment and serve students better by focusing on retention. There are low to no cost ways to achieve this, for example by examining under-enrolled courses or refreshing curriculum.
   - Balancing Growth and Investment: To support growth, strategic investments must be made, particularly in areas that offer the best return on investment—not just in terms of dollars but in broader impacts like student retention, community engagement, program relevancy, and broader impact on the university's mission.
   - The budget model must align with the university's strategic direction, ensuring that financial resources support areas with the highest return on investment and further the university's growth trajectory. This includes determining which programs and initiatives should be prioritized and which may need to be phased out or sunset.

2. Collaboration and Alignment:

- It's critical to have a unified vision across the institution. Incentivizing collaboration is key, making sure that the entire university is moving in the same direction rather than pulling in different ways. A clear, cohesive vision is key to driving success, especially when balancing state funding challenges with tuition-based revenue.
- Marketing is an essential component of growth. The university needs to invest in sophisticated marketing strategies to raise visibility and attract students, particularly in a competitive market. Marketing should be targeted, local, and omni-directional, ensuring the institution's value proposition is clear to prospective students and their families.

3. Comprehensive Approach to Success:
    - Moving forward, the university should incorporate both quantitative and qualitative data into decision-making. This includes analyzing enrollment trends, learning outcomes, and the broader impact of academic programs. Some initiatives may require deep qualitative analysis to fully understand their value and return on investment. Initiatives found to not be achieving the goals should be stopped.

4. Flexibility and Regular Review of the Budget Model:
    - Chancellor Christensen emphasized the need for a regular review of the budget model, as the university's context is rapidly changing. Keeping the model adaptable ensures that the university remains competitive in a shifting market, particularly regarding tuition, affordability, and program demand.

BARC Membership

The BARC includes representatives deliberately chosen to represent a wide range of roles and units across campus. This representation was critical given the need to ensure constituencies across campus were informed of the work of the committee and that they had opportunities during the process to weigh in with questions or suggestions for the budget model.

School/College or Campus Unit	Name, Title
College of Liberal Arts and Sciences	Richard Allen, Senior Associate Dean for Academic and Strategic Planning (fall 2024) Laura Argys, Professor of Economics and Associate Dean for Research and Creative Activities (spring 2025)
School of Public Affairs	Lauren Goolsby, Director of Budget & Research Services
College of Architecture and Planning	Stephanie Kelly, Assistant Dean of Finance and Administration
Business School	Scott Dawson, Dean
School of Education & Human Development	Julia Mahfouz, Associate Professor
College of Arts & Media	Nathan Thompson, Associate Professor
College of Engineering, Design and Computing	Mark Golkowski, Professor and Chair, Electrical Engineering

Research	Phillip DeLeon, Associate Vice Chancellor for Research
Strategic Enrollment and Student Success	Margaret Wood, Associate Vice Chancellor for Academic Achievement
Faculty Assembly, Budget Priorities Committee	Julien Langou, Professor and Chair, Mathematical and Statistical Sciences
Faculty Assembly, Budget Priorities Committee and Auraria Library	Kelly McCusker, Principal Instructor and Collection Development Program Lead Librarian
Staff Council	Anthony Wilson, CAM Finance & Operations Manager
Chancellor's representative	Beth Myers, Associate Vice Chancellor for Academic Planning and Institutional Effectiveness
Advancement	Nickolas Chabot-Olson, Director of Finance and Administration
Student Government Association	Michael Leaser, Student/SGA Senator (fall 2024) Savannah Brooks, Student/SGA President (spring 2025)

BARC Timeline

The BARC launched in September 2024 and met approximately twice monthly throughout the 2024-25 academic year. A summary of the BARC's meetings and topics is included below. A more detailed view of the schedule can be found in Appendix A.

Session	Date	Topic
Session #1	Sept 5 (2:30-4:00)	Current Budget Model
Session #2	Sept 19 (2:30-4:00)	Current Budget Model Improvements
Session #3	Oct 10 (2:30-4:00)	Budget Model Alternatives; success criteria and guiding principles
Session #4	Oct 24 (2:00-3:30) *Chancellor + Deans*	Committee Decision Points
Session #5	Nov 7 (2:30-4:00)	Decision-Making Process
Session #6	Nov 21 (2:30-4:00)	Narrow Budget Models for Committee Consideration
Session #7	Dec 12 (2:30-3:30)	Budget Model Adjustments
Session #8	Jan 30 (2:00-5:00)	Budget Model Preliminary Recommendations
Session #9	Feb 13 (2:30-4:00)	Scenarios – Applying the Budget Model
Session #10	Feb 27 (2:30-4:00) *Chancellor visit*	Budget Model Implications
Session #11	Mar 13 (2:30-4:00)	Initiative Pools and Budget Model Principles
Session #12	Apr 9 (2:30-4:00)	BARC Budget Model Recommendations
Session #13	Apr 17 (3:00-4:00)	Present Recommendations to Chancellor & Deans
Session #14	Apr 24 (2:30-4:00)	Feedback and Reflection; Next Steps

Campus Engagement

In order "to facilitate information-sharing and feedback-gathering sessions on questions of interest to the committee, and socialization of proposals," the BARC engaged the campus community in a variety of ways over the 2024-25 academic year. At the campus level, learning sessions provided an open venue for members of the campus community to learn about the budget model and the BARC review process and to ask questions. At the school/college and unit level, BARC members shared regular updates with their constituents, capturing feedback and answering questions specific to each area. In addition, a website was created to house information about the BARC's work, including presentation decks, notes from each meeting and registration information for learning sessions.

Campuswide Learning Sessions

Ann Sherman and Jen St. Peter, Associate Vice Chancellor for Budget & Fiscal Planning, hosted two rounds of learning sessions in Fall 2024 and two rounds of learning sessions in Spring 2024. Each round of learning session included an in-person option and a virtual option. The virtual meetings were recorded and shared on the BARC website.

- Topic 1: The History of our Budget Model (September 25 and October 1, 2024) – These sessions covered basic information about the committee, and the process. These sessions also provided a primer on what a budget model is and what it is intended to do.

- Topic 2: Success Criteria, Guiding Principles and Different Models (October 30 and November 5, 2024) – These sessions covered the work of the BARC committee to-date, including the success criteria and guiding principles identified by the group. These sessions also reviewed the different types of budget models, including the models most of interest to the BARC based on initial discussions.

- Topic 3: Updates on the Process (March 19 and April 3, 2025) – These sessions shared the preliminary decisions of the BARC regarding the structure of the recommended budget model and the committee's planned next steps.

- Topic 4: Closeout Session (April 30 and May 1, 2025) Closeout session to share the final recommendations of the BARC and leadership next steps.

Local Engagement Efforts

BARC members engaged with their local communities in a variety of ways. Brief descriptions of those engagements are included below:

- Business School: Shared BARC updates with Business School leadership team every three weeks. Also informally provided updates and gathered feedback from deans on an ad hoc basis.
- College of Architecture and Planning: Using the presentations from BARC meetings, as well as context and details from BARC meeting conversations, provided updates at weekly CAP Executive Team meetings, biweekly CAP Budget Committee meetings, twice a semester college Executive Committee meetings, and bi-annual Faculty & Staff meetings (one in the fall and one in the spring).

- College of Arts & Media: Using the presentations from BARC meetings and supplemental notes, provided updates to Dean and Assistant Dean of Finance directly after BARC meetings. Provided updates to CAM Leadership Team at bi-annual meetings.
- College of Engineering, Design and Computing- Provided updates and led discussion at College Executive Committee once per semester, sent email communication with BARC updates to all college faculty and staff once per semester, and provided updates to the college Virtual Town Hall open to all faculty and staff in early spring semester.
- College of Liberal Arts and Sciences: Using presentations from BARC meetings, provided updates at weekly CLAS Dean & Associate Dean meetings, monthly CLAS Chairs/Directors meetings, and bi-annual college-wide faculty & staff meetings.
- School of Education & Human Development: Shared BARC updates with the Leadership and Finance Team using the presentations from BARC meetings and supplemental notes; informally collected feedback from SEHD faculty members to report back to BARC; reported updates to the Leadership for Educational Organization program; encouraged Learning Session attendance to faculty and staff across campus.
- School of Public Affairs: Shared BARC updates weekly with the Dean and Assistant Dean of Finance, every few months at faculty & staff meetings, bi-annually at the school's Budget Committee, and encouraged participation in campus Learning Sessions.
- Auraria Library: Shared BARC updates and answered questions with Library Administration and Budget & Finance Manager in meetings; shared BARC updates and asked for input / questions via Microsoft Teams posts to all library faculty, staff, and student employees; shared BARC updates and answered questions to Auraria Library Faculty at faculty meetings
- Advancement: Provided BARC updates at the bi-annual Advancement All-Team meetings. Held monthly office hours for drop-in discussions.
- Chancellor's representative: Provided BARC updates to bi-weekly/monthly Provost Team meetings.
- Faculty Assembly, Budget Priorities Committee: Using presentations from BARC meetings and provided updates and answered questions at monthly Faculty Assembly Budget Priorities Committee (BPC).
- Research: Participated in BARC updates to bi-weekly/monthly Provost Team meetings and provided BARC updates during meetings of ORS staff.
- Staff Council: Using the presentations from BARC meetings and the campus Learning Sessions, provided updates at monthly Staff Council meetings. Encouraged Learning Session attendance to faculty and staff across campus.
- Strategic Enrollment and Student Success: Regularly shared notes from BARC meetings and led discussion of major decision points with SESS leaders. Provided progress updates and summary of major decisions to staff within SESS.
- Student Government Association: Consistently shared updates from participation in the committee at Student Government Association's Senate meetings to solicit questions and feedback from senators.

Budget Model Recommendations

Process and Methods

Success Criteria and Guiding Principles

BARC members established a set of **success criteria** in October 2024. These initial ideas served as a guide for the committee's beginning work together:

- Increased flexibility, provides slack so that any time there is something unexpected we aren't in a crisis
- The budget recommendations support the strategic plan and strategic priorities – shared values, 2030 goals
- The model accounts for yearly cost increases (tech, insurance, library, etc.)
- Simple, predictable, transparent; simple enough to understand and articulate (not convoluted)
- Long-term analysis for modeling and prediction/forecasting
- Model includes a "human" element and is not just a formula
- Baseline data for is correct, ensures that no unit starts "in the red" (in a deficit scenario)
- Student retention and student experience
- Encouragement of collaboration amongst schools and colleges
- Opportunities for shared governance input

Using the success criteria, and leveraging feedback from BARC members, the **guiding principles** for the budget model were revised to help guide the decision-making process for the BARC:

- Supports the university mission and reputation
- Easy to explain and plan
- Shared commitment to a comprehensive university, recognizing the differences in costs to deliver education
- Promotes healthy fiscal foundations
- Agile/adaptable to many scenarios

These guiding principles were further refined and developed to support the committee in ensuring that the final budget model was aligned with these ideas, and to provide a means by which to monitor and evaluate the implementation of the budget model over time.

Guiding Principle	Measure
Promotes healthy fiscal foundations	Improved enrollment and retention, diversification of revenue
Supports the university's purpose, vision, values, and reputation	The model incorporates an initiative pool that is used to strategically support the university
The campus community can make sense of how the budget model works	The budget model's structure is explainable for the campus community. Faculty, staff, and students have tools available to learn about and understand how resources are allocated.
Reflects commitment to a comprehensive university	The model incorporates academic cross-subsidization (subvention)

Decision-Making Process

The committee members agreed to a three-step decision-making process to support their ability to reach consensus regarding their recommendations:

1. Ranking relative to the success criteria and guiding principles
2. Negative minority to eliminate the most unpopular ideas
3. Consensus assessed using a "fist to five" in which ideas move forward if the majority of the group rates the idea at a three or higher

Proposed Budget Model

To build the recommended budget model, the committee was led through a series of decisions that were delineated into three levels:

- Level 1: Type of budget model
- Level 2: Revenue allocation, central costs, and university revenues
- Level 3: Metrics

Level 1 Decisions: Type of budget model

The committee reviewed and discussed a spectrum of budget models used in institutions of higher education, as outlined in the chart below:

Type of Model	**Description of Model Type**
Centralized Budgeting	Concentrates decision-making authority with upper-level administrators. While historical data may be considered, this model primarily focuses on allocating resources based on institutional needs and priorities.
Incremental Budgeting	Allocations for the upcoming year are based on the previous year's figures. Usually, adjustments are made considering the changes in revenue streams and expenses — including factors like inflation, enrollment fluctuations, or facilities' investments.
Zero-Based Budgeting (ZBB)	Zero-based budgeting wipes out the previous year's budget and restarts the new fiscal year from zero. In this financial model for higher education, departments will make a bid for funding and justify all operation and capital requests every year.
Performance-Based Budgeting (PBB)	Performance-based budgeting is used to award funds based on performance (output). It offers a direct budgetary impact from achieving the desired goals, through different parameters such as enrollment growth and graduation rates.
Activity-Based Budgeting (ABB)	Activity-based budgeting allocates resources to institutional activities that offer the greatest returns (e.g. increased revenues, investments). While PBB awards funds based on output, ABB considers the amount of revenue-generating activity a unit undertakes (inputs).

Incentive-Based Budgeting*	Incentive-based budget models give operational authority to the units and divisions within the university. Each unit receives its own revenues allocation (e.g. tuition of its enrolled students) and is responsible for its own expenses. Hence, giving them more control over their finances.
Types of Incentive-Based Budgeting Models	
Incentive-Based Budgeting: Contemporary Decentralized Budgeting*	Academic units are allocated a majority of the revenue budget but also have a higher participation fee to build a larger central funding pool ("Mission Enhancement Fund"). This allows for greater ability to subsidize academic units, fund strategic initiatives, and support mission-related programs
Incentive-Based Budgeting: Responsibility Center Management (RCM)	Academic units are allocated most of the revenue budget but give up some through a participation fee to build a larger central funding pool. Some ability to subsidize academic units, fund strategic initiatives, and support mission-related programs
Incentive-Based Budgeting: Each Tub on its Own Bottom (ETOB)	Extremely decentralized model, academic units essentially operate as their own financial entities with very little strategic funding held centrally. No sympathy for market forces, academic units that cannot fund their operation must cut costs or generate more revenue to cover and shortfall
* Identifies the type of budget model that CU Denver used from FY 2018 through FY 2023.	

The committee participated in a poll to record each member's opinion on the level of alignment of each type of budget model with the success criteria and initial guiding principles, as well as desire to continue investigating the used of each type of budget model. Based on the results of the poll, there was clear consensus to eliminate Centralized, Zero-Based, Activity-Based, and Each Tub on its Own Bottom budgeting from consideration for the CU Denver budget model. The remaining four model types that the committee wanted to continue interrogating were categorized as:

- Incremental
- Outcome/Metrics-based, which included the following model types:
  - Performance-based
  - Contemporary decentralized
  - Responsibility Centered Management

The three outcome/metrics-based models all require the identification of data metrics to allocate revenue and expenses (that is, level 3 decisions), whereas an incremental model requires no further decisions. Once the structure of the outcome/metrics-based budget model is finalized after all level 2 and level 3 decisions are complete, the two model types can be compared and the committee can make its final recommendation.

Level 2 Decisions: Revenue allocation, central costs, and university revenues

The committee was asked to consider how to treat revenues, central costs (university mandatories and campus-support units) and university resources in a metrics-based model. For reference, the committee was provided with discussion points below:

Topic	Discussion Points
Revenue Allocations	1. What incentives should be created through revenue allocations? 2. Based on desired incentives, how should each type of unrestricted fund revenues be treated? Pooled or direct allocation? 3. How should auxiliary revenues be treated? Pooled or direct allocation?
Central Costs	1. How should university mandatory expenses be funded? Front-end, allocated, or back-end? 2. How should campus-support units be funded? Front-end, allocated, or back-end? 3. If central costs are to be allocated, what variables should be used for each pool?
University Revenues (Mission Enhancement Fund)	1. How should funds for units not able to cover their direct expenses be created? Front-end or back-end? 2. How should funds for strategic initiatives be created? Front-end or back-end? 3. Should select revenue(s) be retained or should a formula help create this? 4. If select revenues are retained, which ones should be considered? 5. If a formula/participation rate is selected, what funds should be subject or exempt from the rate?

Revenue Allocations

Revenue allocations within metrics-based models represent different sources of institutional revenue, such as undergraduate or graduate tuition. For each type of revenue, an allocation mechanism can be defined to create incentives to grow that type of revenue. The BARC was first presented with questions to start considering how CU Denver revenues should be treated in the budget model:

1. What incentives should be created through revenue allocations?
    a. Instruction, majors, research, outcomes/outputs?
2. Based on desired incentives, how should each type of unrestricted fund revenues be treated?
    a. Tuition
    b. Differential tuition
    c. State support

   d. Indirect Cost Recovery
3. How should auxiliary revenues be treated?
   a. Extended Studies
   b. Sales & Services of Educational Activities

The committee was provided with a more comprehensive list of types of revenue typically seen at institutions of higher education to consider for allocation within the proposed metrics-based budget model. At the request of the committee members, Jen St. Peter made recommendations about which types of revenue to exclude from the budget model. The committee voted to allocate main campus tuition revenue, separated out by undergraduate/graduate and resident/non-resident (including both domestic and international nonresident), and state appropriations within the budget model. The table below outlines the revenue types and recommendations:

	Considerations	**AVC Budget Recommendation- Exclude from Allocations?**	**BARC Recommendation**
Undergraduate Tuition (main campus)	Should this be allocated and if so, based on what metrics?		Allocate
Graduate Tuition (main campus)	Should this be allocated and if so, based on what metrics?		Allocate
Nonresident Tuition (main campus)	Should this be allocated and if so, based on what metrics?		Allocate nonresident tuition separately from resident tuition
Professional Master's (main campus)	Should this be allocated and if so, based on what metrics?	Yes, exclude. Don't know that data infrastructure/definitions are where they need to be to separate out accurately at this time.	Allocate the revenue, but not separately from other graduate revenue
Summer Tuition (main campus)	Should summer tuition be treated differently from fall/spring tuition? If so, how?		Allocate the revenue, but not separately from fall and spring revenue
State Appropriations	Should this be allocated and if so, based on what metrics?		Allocate
Auxiliary Revenue (e.g., Housing & Dining)		Yes, exclude. Auxiliaries are self-supporting and pay General Administrative Recharge as their contribution to the general operations of the campus.	Exclude from budget model as this flows directly to the auxiliary unit

Indirect Cost Recovery		Yes, exclude. ICR has an established university distribution policy.	Exclude from budget model as this has a university distribution policy
Miscellaneous Revenue		Yes, exclude. Mostly support for the Auraria Library, the remainder can offset the amount needed to allocate toward central support.	Exclude from budget model, use the revenue to reduce the allocation to central support within the budget model
Fees		Yes, exclude. Student fees are restrictive and already flow to academic units, similar to extended studies.	Exclude from budget model as this flows directly to the academic unit
Extended Studies/ Academic Auxiliary		Yes, exclude. Auxiliaries are self-supporting and pay General Administrative Recharge as their contribution to the general operations of the campus.	Exclude from budget model as this flows directly to the auxiliary unit

Central Costs

Central costs include

- University mandatory expenses, such as institutional financial aid, AHEC, debt payments on buildings, insurance, and general holds for merit pools and faculty promotions (importantly, no personnel expenses are included in university mandatory). Details of these expenses can be found in the CU Denver FY 2024-25 Education and General Operating Budget Report on page 18 under the heading "Campus-wide".
- Campus-support units, such as University Communications, Administration & Finance, and Strategic Enrollment and Student Success. Details of these expenses can be found in the CU Denver FY 2024-25 Education and General Operating Budget Report on pages 16 and 17 under the headings "Academic & Student Affairs (ASA)" and "Central Services Administration (CSA)."

The group discussed two potential options for funding these expenses:

- Taking central costs off at the "front-end", where the costs are taken off-the-top before allocating revenue to the academic units via the revenue allocation metrics.
    - Is simple
    - Shares increases or decreases in revenue between academic and administrative units
    - Can be seen as less transparent because not all expenses are shown within the budget model, prevents the calculation of a "unit margin" for academic units

- Allocating central costs at the "back-end" within the model, where all revenue is allocated to the academic units via the revenue allocation metrics, then the central costs are recouped as cost centers.
    - Adds complexity to the model

- Implies that academic units have control over their portion of central costs and can reduce consumption or otherwise change behavior to influence total university spending
- Can be seen as more transparent because all expenses are accounted for within the budget model and assigned to each academic unit, allowing for the calculation of "unit margins"

The committee voted to remove both university mandatory expenses and campus-support units at the front-end of the model (not specifying the percentages or amounts of funding). This will be done in two steps: first the university mandatory expenses will be taken proportionally from the allocable revenue, and second the remaining revenue will be split between campus-support units and schools and colleges. The BARC did not make a recommendation on the split between campus-support units and schools and colleges. The Office of Budget & Fiscal Planning recommends that this split be established in the parallel year (FY 2025-26) and be informed by actuals from prior years. It was discussed that CU Boulder uses a 35%/65% split and BARC agreed that the numbers for CU Denver could also be in this ballpark and would remain fixed.

University Revenues

University revenues refer to a pool of funds that can be pooled centrally to support institutional objectives that may not be recognized in a metrics-based model that require centralized discretionary funding. Examples of this are strategic initiatives and academic cross-subsidization, which is additional funding provided to high-value academic areas that do not cover their costs but provide a mission-driven value to the university. The currently paused CU Denver budget model includes University Revenues in the form of the "Mission Enhancement Fund," which funds first academic cross-subsidization (also known as "subvention") then strategic initiatives.

The BARC was presented with questions to begin considering if and how to build university revenues:

1. How should funds for units not able to cover their direct expenses be created?
2. How should funds for strategic initiatives be created?
3. Should select revenue(s) be retained or should a formula help create this?
4. If select revenues are retained, which ones should be considered?
5. If a formula/participation rate is selected, what funds should be subject or exempt from the rate?

Jen St. Peter, in consultation with experts from EAB (formerly Educational Advisory Board), told BARC that academic cross-subsidization were removed from its purview, and it will be vetted with the academic Deans and the university's executive leaders.

The BARC group discussed two potential options for funding initiatives pools: taking the pool off at the "front-end", before revenue is allocated to academic units and central support or building pools at the "back-end", after revenue is allocated within the model. Building an initiative pool at the front-end would result in a single pool that would fund initiatives from any unit across campus, whereas building pools at the back-end could result in separate initiatives pools for academic units and central support areas.

The BARC voted to use a front-end approach to build a single initiatives pool within the metrics-based model, with both academic units and central support units able to request initiatives funding. The initiatives pool is recommended to be 1% of the remaining revenue to be allocated in the budget model (tuition and state funding), after university mandatory expenses are covered from the initial revenue.

Level 3 Decisions: Metrics

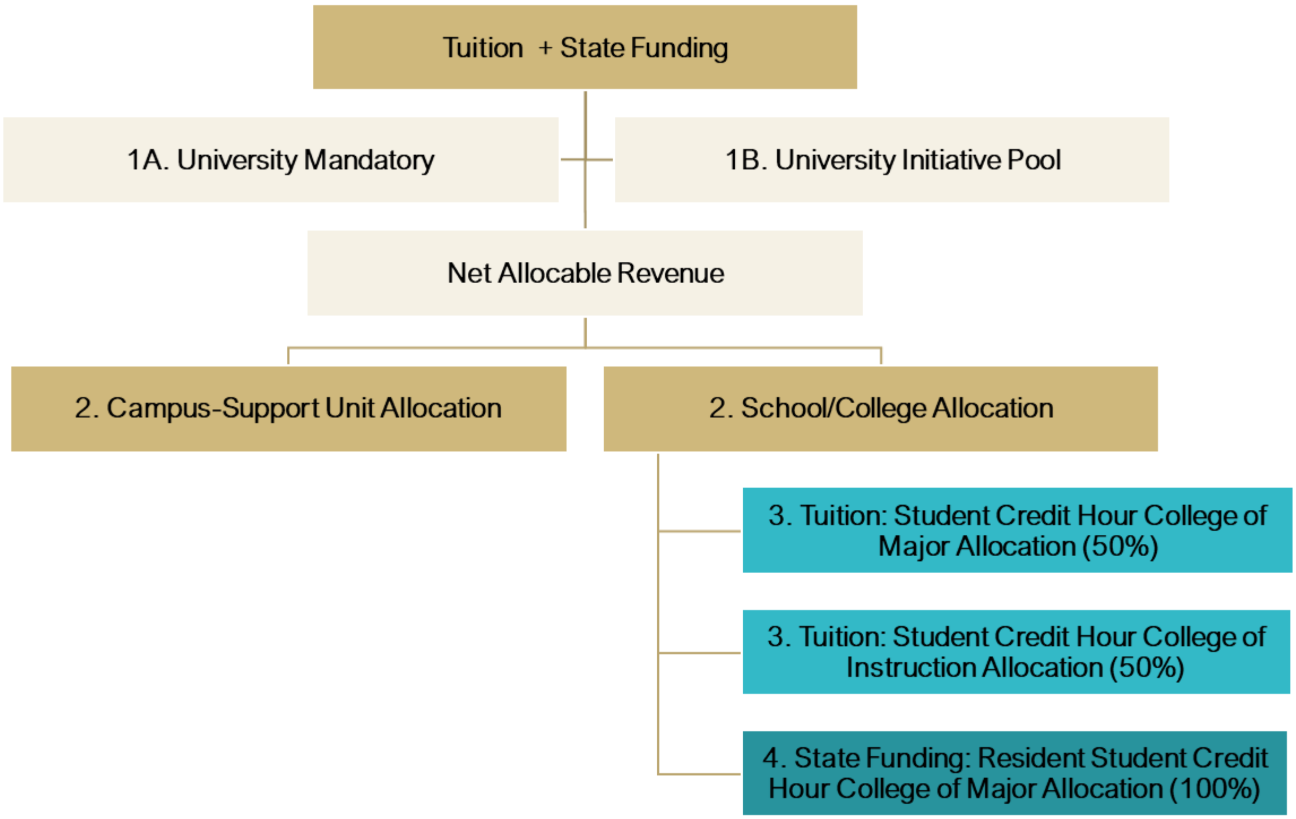
The committee was provided with research reports from EAB on budget models, which included common metrics, pros and cons, and EAB recommendations of best practices.

The committee agreed to recommend allocating revenue in the budget model using the following:

- Tuition revenue based on 50% student credit hours of major and 50% student credit hours of instruction
- State funding based on resident student credit hours of major

The committee further recommended that all metrics use a weighted three-year average, with the data from the year directly before the budget year weighted at 50%, the data from two years prior weighted at 30%, and the data from three years prior weighted at 20%. A multi-year weighted average results in the same long-run calculation but smooths year-to-year fluctuations.

Resulting Structure of the Recommended Metrics-Based Model



1A. University mandatory taken proportionally from all allocable revenue (tuition and state funding). University mandatory costs do not include any salary or expenses for personnel.
1B. University Initiative Pool equal to 1% of tuition plus state funding remaining after campus-wide mandatory expenses
2. Net allocable revenue (after university mandatory expenses and university initiative pool) to be split between campus-support units and schools/college using a consistent percentage.
3. Tuition split into four buckets, all allocated using the same methodology
    - Undergraduate Resident
    - Undergraduate Nonresident
    - Graduate Resident
    - Graduate Nonresident
4. State Funding allocated based on resident student credit hours

Please note that this is not the complete, final structure of the budget model that CU Denver will be using moving forward. As described previously and below, the deans and executive leadership of CU Denver will need to establish academic cross-subsidization (subvention) for inclusion in this metrics-based model. Further, the model will be tested during the parallel year (FY 2025-26). If the output of various testing scenarios indicate misalignment with the Guiding Principles, the BARC or CU Denver leadership may recommend changes to the metrics included in this proposed model.

While there was committee consensus on the 1% initiative pool and revenue metrics, there was not unanimity. Committee members expressed concern about possible future unintended consequences of these decisions, such as the need to reduce unit budgets to fund the initiative pool, whether the 50%/50% split for college of instruction and college of major incentivizes duplication/overlap of programs (rather than courses), and whether the same split harms units providing core curriculum and service teaching because the cost to deliver education is higher than the allocation for non-majors. Committee members expressed concern about the volatility of the “college of major” that is not necessarily related to tangible work. The college of major metric has a much heavier weight in this new model, both for tuition and state funding. The arguments for supporting a 50%/50% split were to disincentivize competition for student credit hours within the institution and incentivize increased student recruitment for all programs.

Incremental Model

While most committee members surveyed via email at the end of the working meetings supported moving forward with only the metrics-based model as the final BARC recommendation, an official vote was unable to be completed before the draft of this report due to time constraints

Outstanding Decisions

During the parallel year (FY 2025-26), the academic deans and the executive leadership of CU Denver will need to establish academic cross-subsidization (subvention) outcomes for the metrics-based model. These decisions will include the initial dollar levels, considerations for offsets (differential tuition allocations and academic auxiliary activity), and potential for multi-year subvention conditions in order to encourage units to become more financially sustainable. One idea from BARC is to set decreasing level of cross-subsidization (subvention) over the years. For example, each unit being subvented will see its subvention going down by 10% every year until the levels get reassessed.

Members of this Budget Allocation Review Committee have been invited to continue participating in the analysis and evaluation of the recommendations included in this report throughout the FY 2025-26 parallel year assessment. As noted in both the Chancellor’s remarks and above, if the output of various testing scenarios indicate a misalignment with the Guiding Principles, or if boundary conditions in the model’s assumptions notably change, the BARC or CU Denver leadership may recommend changes to the metrics in this proposed model.

Appendix

APPENDIX A: Detailed BARC Meeting Calendar

Session	Date	Topic	Content
Session #1	Sept 5 (2:30-4:00)	Current Budget Model	• Welcome & introductions • Schedule and expectations • History of the budget model (including existing guiding principles) • Budget model fundamentals • Expected outcomes
Session #2	Sept 19 (2:30-4:00)	Current Budget Model Improvements	• Presenting problems and pain points • Myth busters: fact versus fiction • Criteria to assess future recommendations • Key messages for session #2 and preparation for local community engagement conversations
Session #3	Oct 10 (2:30-4:00)	Budget Model Alternatives; success criteria and guiding principles	• Recap from local learning sessions • Budget process versus budget model • Budget model principles • Spectrum of budget models • Example academic allocations under model types
Session #4	Oct 24 (2:00-3:30) *Chancellor + Deans join the group at 3:00*	Committee Decision Points	• Recap from session #3 and review of homework (i.e. alignment of budget models with guiding principles) • Overview of decision points for the committee (e.g. revenue allocations, central costs, university revenues/mission enhancement fund) • Discussion with chancellor and deans re: committee progress to-date
Session #5	Nov 7 (2:30-4:00)	Decision-Making Process	• Recap from local learning sessions • Review of decision points • Discussion on decision-making process • Narrowing down the avenues of exploration
Session #6	Nov 21 (2:30-4:00)	Narrow Budget Models for Committee Consideration	• Review of decision-making process • Results from model type survey (homework) • Level 2 decisions: Revenue, central costs, and university revenue • Primer on metrics
Session #7	Dec 12 (2:30-3:30)	Budget Model Adjustments	• Open discussion of questions/concerns raised by BARC members • Discussion on clarifying guiding principles • Decision regarding central costs
Session #8	Jan 30 (2:00-5:00)	Budget Model Preliminary Recommendations	• Updated guiding principles • Metrics in the model • Academic auxiliaries – How should these be treated in the model?

			• How do we create the mission enhancement fund?
Session #9	Feb 13 (2:30-4:00)	Scenarios – Applying the Budget Model	• Overview of decision points • Applying decisions to scenarios • Mission enhancement fund – creation and use
Session #10	Feb 27 (2:30-4:00) *Chancellor visit*	Continue decisions on metrics-based model: Initiatives Pools	• Overview of chancellor budget priorities • Structure and funding of strategic initiatives
Session #11	Mar 13 (2:30-4:00)	Initiative Pools and Budget Model Principles	• Recap chancellor visit • Decision-making related to initiative pools • Review of budget model guiding principles • BARC next steps
Session #12	Apr 9 (2:30-4:00)	Budget Model Recommendations	• Recap Local Learning Sessions • Finalize Principles • Finalize report/presentation content for 4/17
Session #13	Apr 17 (3:00-4:00)	Present Recommendations to Chancellor & deans	• Committee members discuss recommendations to Chancellor and deans
Session #14	Apr 24 (2:30-4:00)	Feedback and Reflection; Next Steps	• Review 4/17 feedback from leadership • Wrap-up and appreciation • Confirm how we will check back in on the budget model • Determine continued role for the committee

APPENDIX B: BARC Meeting Key Messages

Session 1 – September 5, 2024
- We had a nice agenda, which generated very thoughtful questions
- Transparency and sharing is fundamental to the way this group will work
- The breadth and depth of representation on the committee is very meaningful
- The group is committed to being available to our respective stakeholders, and to communicating broadly across the campus to foster shared meaning and understanding across the campus population.
- We are committed to the goals laid out in the charge letter

Session 2 – September 19, 2024
- It's complicated!
- The committee members are committed to disentangling the financial information and developing a model that serves our mission
- We had a wide-ranging conversation about methods for allocating revenue
- We explored the myths and facts about how a model and our process works

Session 3 – October 10, 2024
- We started to learn about other budget models, their benefits, challenges and impacts.
- We are all learning a lot more to help dispel myths and half-truths, including by understanding how things could have gone differently with different models.
- We are clarifying our principles and determining the importance of having clear principles that we can measure.
- We are growing our understanding of how the various parts of our institution relate to and impact the whole – and vice versa.
- We increased our understanding of where we are, where we want to be and how to operationalize the work.

Session 4 – October 24, 2024
- Budget model needs to consider the difference in costs between different academic programs.
- Committee identified the areas for decision-making: revenue allocation, central costs, and university revenues/Mission Enhancement Fund
- Narrow down the types of budget model the committee wants to continue investigating

Session 5 – November 7, 2024
- BARC members will complete a survey within two business days.
- Agreed-upon decision making model:
  - Ranking (relative to criteria/principles)
  - Negative minority, followed by:
  - Consensus (assessed using a fist to five)
- Discussed the possibility of using zero-based budgets as a way to set our updated base budgets.

Session 6 – November 21, 2024

- Reached consensus on the types of budget model structures to explore further:
  - Incentive/Outcomes based (including contemporary decentralized, responsibility centered management, and performance-based)
  - Incremental
- The group agreed about the importance of simplicity in the model
- The group began learning about metrics and began discussing the potential impacts
- The group agreed to spend time asynchronously on the current model's guiding principles and success criteria to begin refining, defining, and prioritizing the future model's guiding principles

Session 7 – December 12, 2024

- 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)
- The committee members voted and agreed upon the use of a front-end approach to covering university mandatory and central administrative costs
- Reaffirmed the importance the final budget model being "simple"
- Reaffirmed the purpose and charge of the BARC

Session 8 – January 30, 2025

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

Session 9 – February 13, 2025

- Recommended proportionally reducing allocated revenue to account for university mandatory expenses
- Recommended using credit hours for the College of Record (Major) metric.
- Recommended adding residency into the tuition allocations and using the resident metrics only for the state funding allocation.
- The group had quite a bit of discussion about the campus budget context, and that we are only talking about a portion of the budget.

Session 10 – February 27, 2025

- Chancellor came in and reflected on his vision to help inform the work of the committee.
- The committee discussed different options for creating the initiative pool and the pros/cons of each option.
- Agency is very important to the schools and colleges in terms of their local reserves.

Session 11 – March 13, 2025

- Discussed the initiative pool and decided to recommend one pool be taken out after university mandatory expenses to support both academic and campus-support unit initiatives.
- The committee agreed to recommend 1% of total revenue (minus university mandatory expenses) as a start for the initiative pool.
- The committee discussed how it would continue into the evaluation phase next year.
- The group revisited the possibility of an incremental model.

Session 12 – April 9, 2025

- The Committee shared the questions and feedback from their local information sessions.
- The Committee workshopped the final recommendations for the budget model.
- The Committee revisited the guiding principles to ensure clarity and consensus.

Session 13 – April 17, 2025

- Ann, Jen and the BARC members recapped the process the BARC has gone through over the past year with Chancellor and Deans.
- The BARC shared the final budget model proposal that has been developed through the BARC committee discussions.
- Chancellor Christensen emphasized the importance of focusing on student retention in order to serve the students who come to CU Denver and to address our structural budget deficit.

Session 14 – April 24, 2025

- The committee debriefed the discussion with the Chancellor and deans last week
- BARC roles for fall were clarified
- Logistics for finalizing the final BARC report were discussed