**Budget Allocation Review Committee - Session #3**

**October 10, 2024**

Attendees: Ann Sherman, Jen St Peter, Phillip DeLeon, Lauren Goolsby, Nate Thompson, Michael Leaser, Margaret Wood, Kelly McCusker, Rich Allen, Julien Langou, Stephanie Kelly, Nikolas Chabot-Olson,Julia Mahfouz, Mark Golkowsi, Amy McGuire

*Missing Attendees: Anthony Wilson, Scott Dawson, Beth Myers*

**NOTES**

Recap from Local Learning Sessions

* Ann Sherman shared that approximately 100 people attended the in-person and Zoom campuswide learning sessions. Based on the information received from BARC members, at least 380 people total talked to from all areas.
* Mark shared that credit hours/headcount discussions came up in his area. Faculty are interested in having research also represented in the model – this impacts enrollment too. Also a question arose about fixed costs – could some of those be removed earlier in the model to minimize the impact of subvention.
  + Jen shared that fixed costs will be a question for this group to discuss in the next session.
* Julien surfaced a concern about the redistribution of funds received in grants through mission enhancement fund.
  + Jen provided an example of $100 being brought in as ICR revenue, this sits in the model as part of the calculation for the participation/mission enhancement fund. It is not a transaction, but it does play into the model. This is another area for this group to discuss further.
* Julien and Kelly also shared that they have heard from people that they want more details. BPC wants additional numbers and deep dives as opposed to high level. Also examples of subvention are desired to better understand.
* Lauren also heard that people want more detail, e.g. an equation. Would like to do scenario planning based on plugging numbers into a model to see what it would do.
* Julia heard from SEHD that the leaders are interested in the numbers and how they can plan for budget allocation (or reductions). Faculty want to understand the potential impacts more so (rather than the model/numbers).
* Nate pointed out that different units need to use the budget model in different ways, e.g. ICR does not apply as much in CAM. One thing that came up specifically was a question about why we do not focus on enrollment revenue (as opposed to credit hours and headcount). What are the metrics used to decide across units?
  + Julien pointed out that the budget model does account for different types of students (e.g. domestic, international, undergraduate, graduate).
  + Nate explained that there is a lot of confusion about how the model works, including new people.
* Julien called for this group to look at potential models, but also the importance of looking at needs and analyzing what is working and what isn’t. Shocking to see the difference in allocation for operating and salaries across schools/colleges – what are we trying to accomplish and does this align with what we want to achieve?
* Nate identified subvention as the core of the challenge in helping people understand the model; this sounds like a “shell game” and does not feel transparent.
  + Jen identified that the language of “subvention” is unique to higher education budgeting and is not widely understood. Really this is about balancing out units that cost more.
* Rich had four sessions in CLAS and the themes from all of them centered around subvention
* Jen shared the major themes from the campuswide learning sessions on 9/25 and 10/1. She noted that those trends mirrored what the BARC members heard locally.

Budget Process versus Budget Model

* Jen provided definitions of the budget process and budget model.
  + A **budget process** is the planning and documentation of the budget, including developing revenue and expense projections, evaluating budget requests, approving the university budget, allocating budget targets through the use of a budget model, and executing the budget plan.
  + A **budget model** is the methodology used to determine the distribution of university resources, prioritize how funds are allocated, and support strategic initiatives.
* Jen explained the budget process, including planning and documentation and also shared the components of the budget model, pointing out where metrics fit into the picture (e.g. revenue, central support allocations)

Budget Model Principles

* The group discussed the “guiding lights” to support our budget model, starting with revisiting the success criteria identified by the committee in a prior meeting.
* The group broke into small groups of three people each to review the current budget model principles and to assess alignment to the success criteria and well recommendations for changes to the principles.
* Report out from small groups:
  + The success criteria add more detail to the principles and help to operationalize them.
  + These were developed in small groups and they may not be as refined as they should be. We may need more discussion on these and potentially some ranking of what’s most important.
  + There is reasonably good alignment, but there is more of a need to zoom into a single North Star (as opposed to a full constellation). What are the priorities? There may be value in ranking to help identify this. So far this is not as concrete as it should be.
  + The question may be how well did the last budget model do this (meet success criteria and guiding principles)?
  + The budget should look at the whole as much as the constituent parts – we are a whole community.
  + Have we evaluated our success? Would be nice to have principles we could use to assess our success over time.
  + What did “growth” mean in the old model? This was intended to get out supporting units to experience success in whatever way made the most sense to them. It would be nice to hear from schools/colleges what growth looks like for them.
  + The success criteria do not include success, growth, incentives.
  + “Incentives” are really about putting the institution in a better place. Does the model actually do this as structured (and do so in broad enough ways that it’s not just about increasing the number of students)?
  + Important to think about how we balance incentives to make sure campus is healthy AND that individual units are healthy. We can benefit by determining what we need to stop. This cannot be only dependent on what schools/colleges decide (example of differential tuition).
  + It doesn’t make sense to people how they could grow and still experience budget cuts. How can we communicate the whole budget to everyone and how we got to the individualized numbers. There is a disconnect; this is a challenging message. (If the pie gets smaller and your share increases, your piece may still be smaller.)
  + Is there a place for investment and risk-taking in a budget model? -> Yes, there is an option; strategic initiatives.

Spectrum of Budget Models

Jen shared six different types of budget models that frequently exist within higher education and the benefits/challenges of each. The group noted that there is potentially some opportunity to mix and match these approaches:

* Centralized budgeting: Decided by a limited number of upper-level administrators; starts with a base budget
* Incremental budgeting: Gradual increases/decreases across the board
* Zero-based budgets: Everyone starts at zero, proposals based on needs/opportunities
  + This could be applied at a specific point to re-set base budgets
* Performance-based budgeting: Rewarding outputs in a direct, formula-based manner tied to metrics
  + This is how the University of Colorado System gets money from the state
* Activity-based budgeting: Allocating based on specific inputs
* Incentive-based budgeting: Allocation formula centrally with local decisions driving use of funds. Three models of incentive-based budget models:
  + Contemporary decentralized budgeting – high degree of central control – building resources in the middle to decide how resources are allocated out (e.g. mission enhancement fund)
  + Responsibility center management – more decentralized, limited pot for strategic initiatives
  + Each tub on its own bottom (e.g. Anschutz) – highly decentralized, central units need to go to schools/colleges to request funding

The group discussed that there is not enough specificity to measure our current model against the current budget model principles.

The group discussed the approach of other CU institutions. CU Boulder did an incremental model for many years and now have an incentive-based model on an increment (the change in the budget from the prior year) of their budgets; base budgets are locked in. UCCS is still using incremental model.

Example Academic Allocations Under Model Types

Jen presented three versions of allocations for FY2022-23 (incremental, existing budget model, RCM) to demonstrate the differences and the potential impact of this committee based on decisions about the budget model.

Key Messages from Session #3

1. We started to learn about other budget models, their benefits, challenges and impacts.
2. 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.
3. We are clarifying our principles and determining the importance of having clear principles that we can measure.
4. We are growing our understanding of how the various parts of our institution relate to and impact the whole – and vice versa.
5. We increased our understanding where we are, where we want to be and how to operationalize the work.