



CU Denver Budget and Multi-year Alignment

December 2022

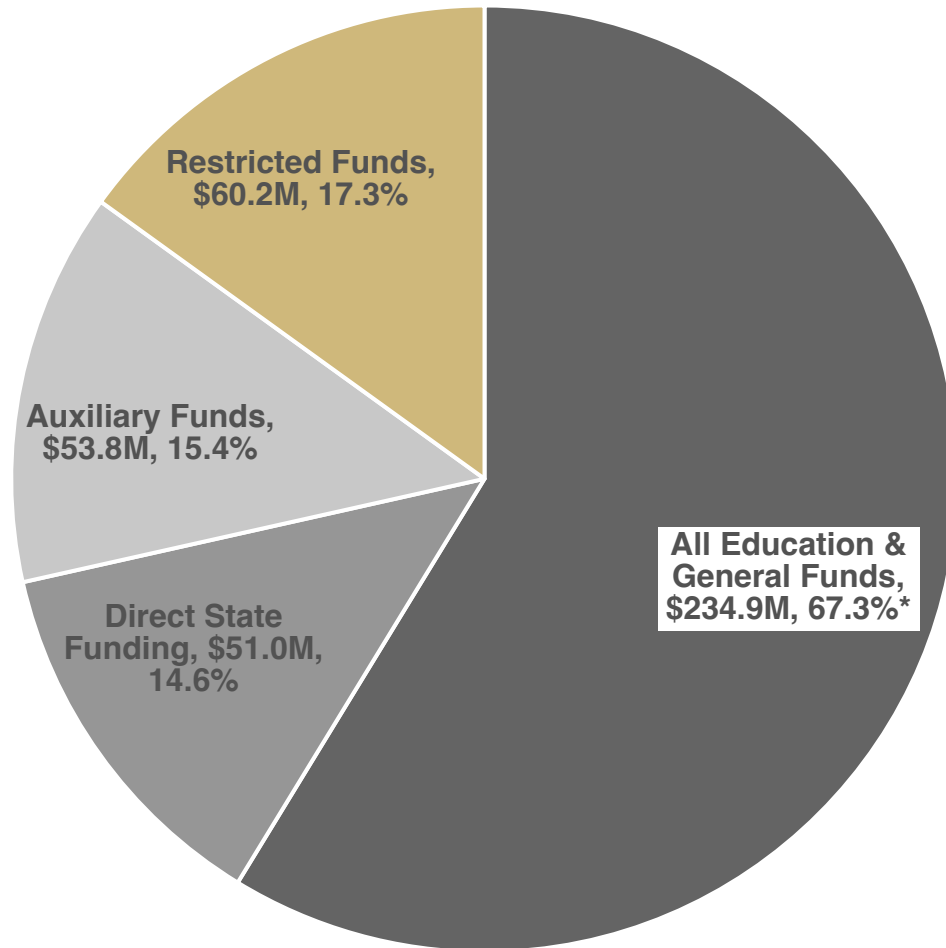


University of Colorado **Denver**

Where does our money come from?

FY 2022-23 Source of Revenue (Millions)

Total Budget = \$348.9M



Educational and General Fund

- Main Campus UG and Grad Tuition (aka, D1)
- Includes Direct State Funding

Auxiliary and Self-Funded Activities

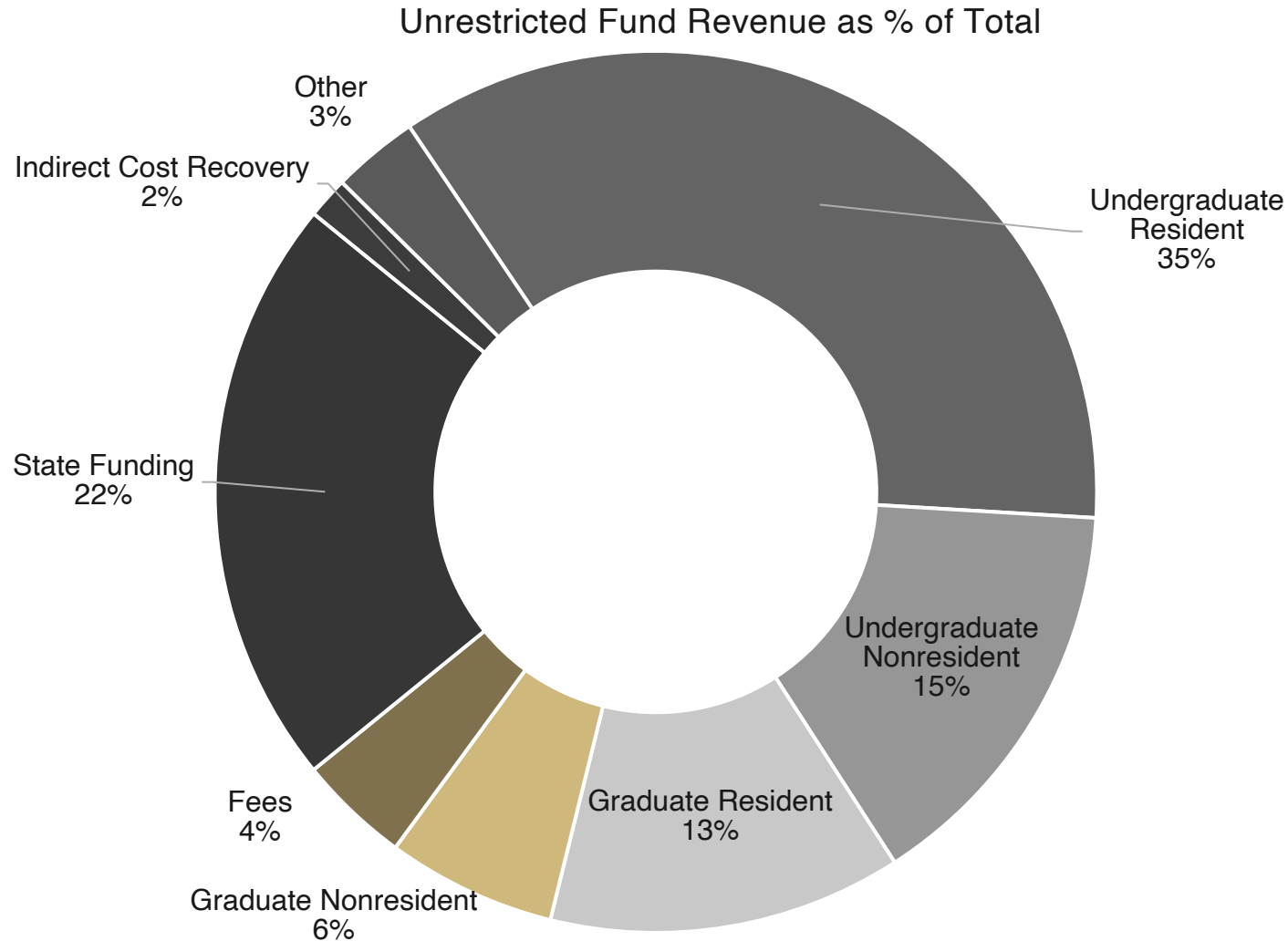
- Extended Studies (D2)
- Continuing Education for non-credit (D3)

Restricted Funds

- 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 (14.6%)

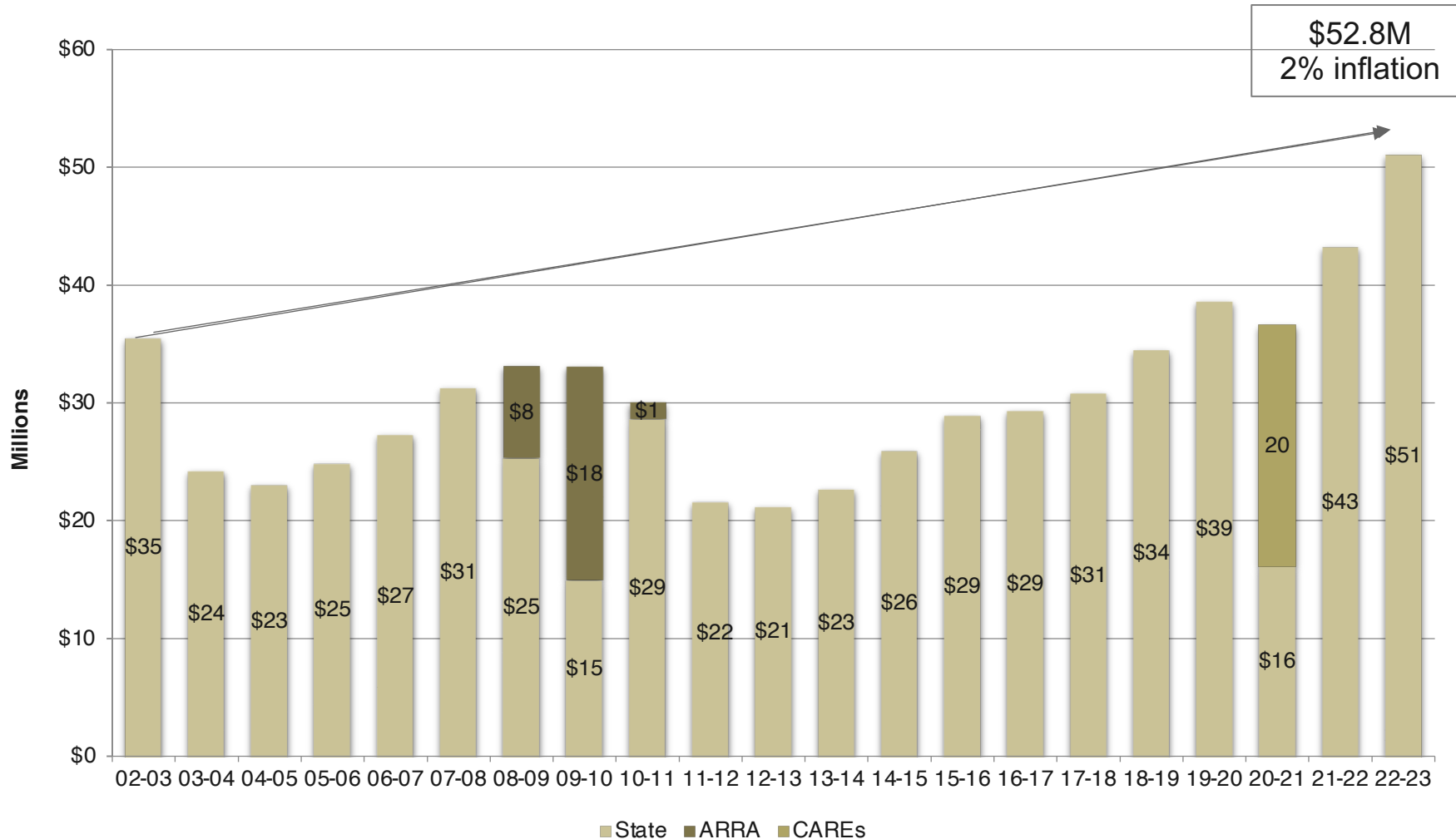
Where does our money come from?



- ▶ 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)

State of Colorado Funding

Denver Campus State Funding

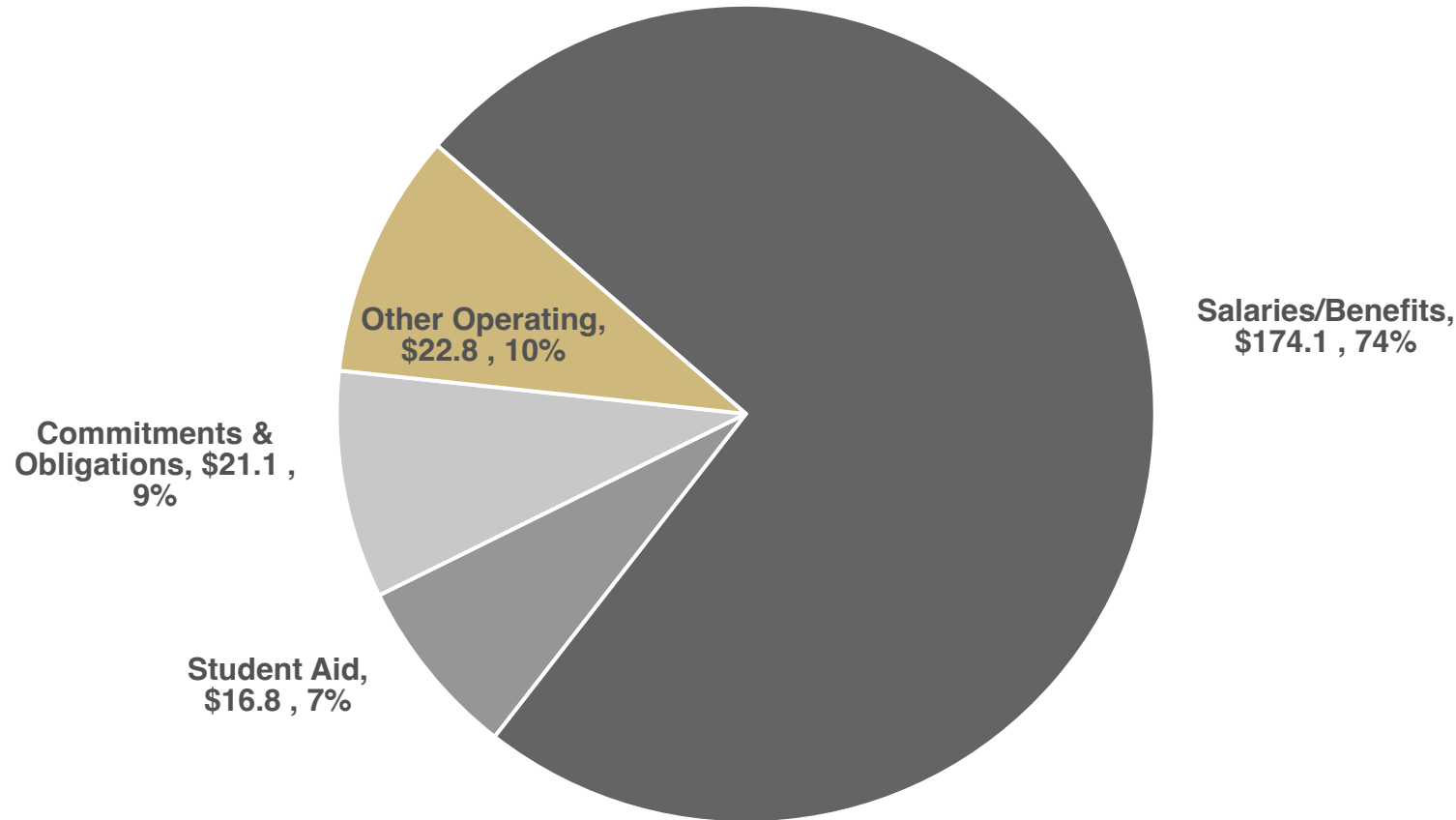


- ▶ Only in recent years has state funding started to catch up to the long-term inflation adjusted levels
- ▶ When state funding increases do not cover mandatory cost increases, this burden is shifted to tuition and fees
- ▶ Colorado is 49th in the nation for higher ed state funding per FTE



Where does our money go?

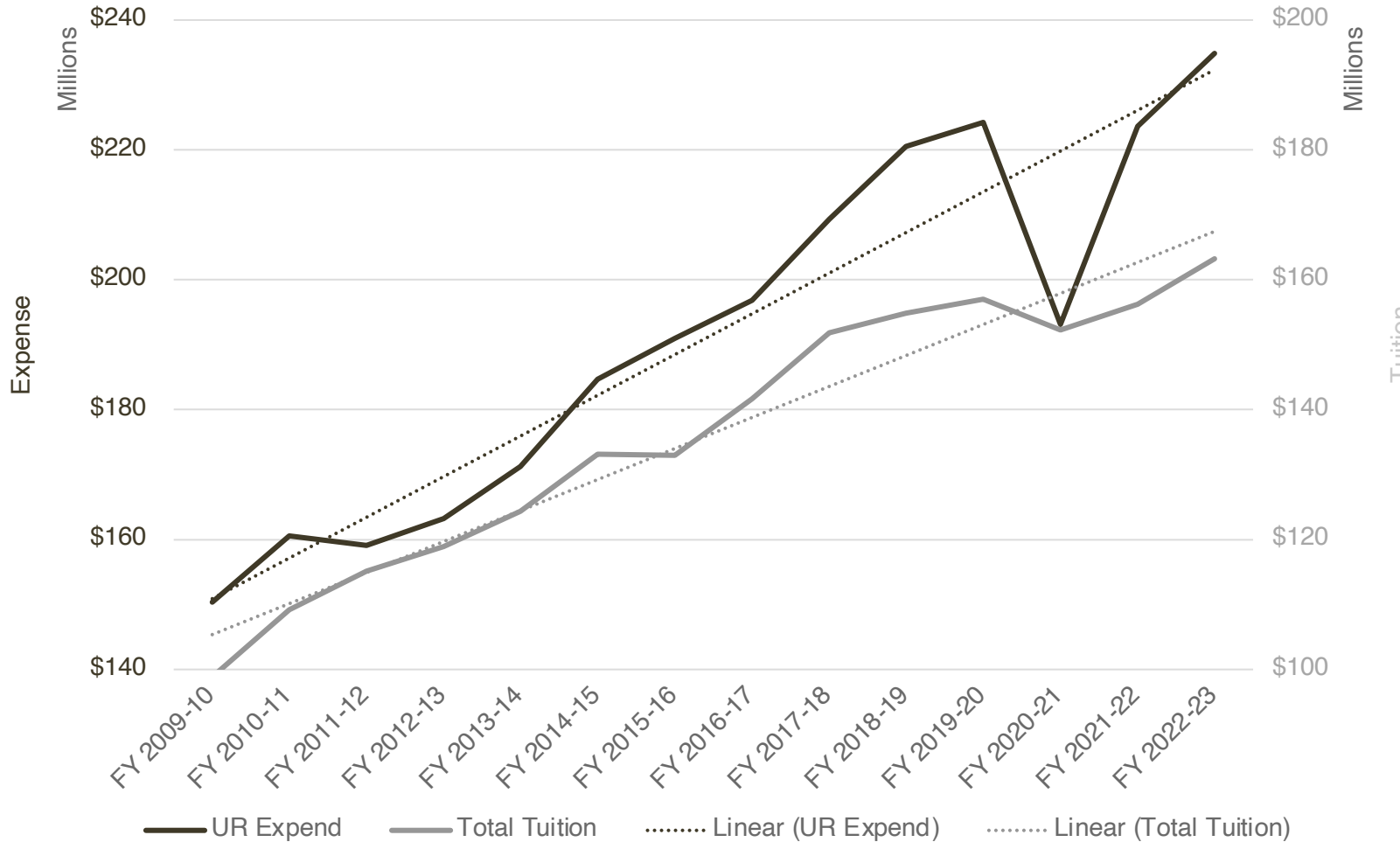
FY 2022-23 Unrestricted Fund Expenses



- ▶ 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

Historical Gap Between Expense Growth and Tuition Growth

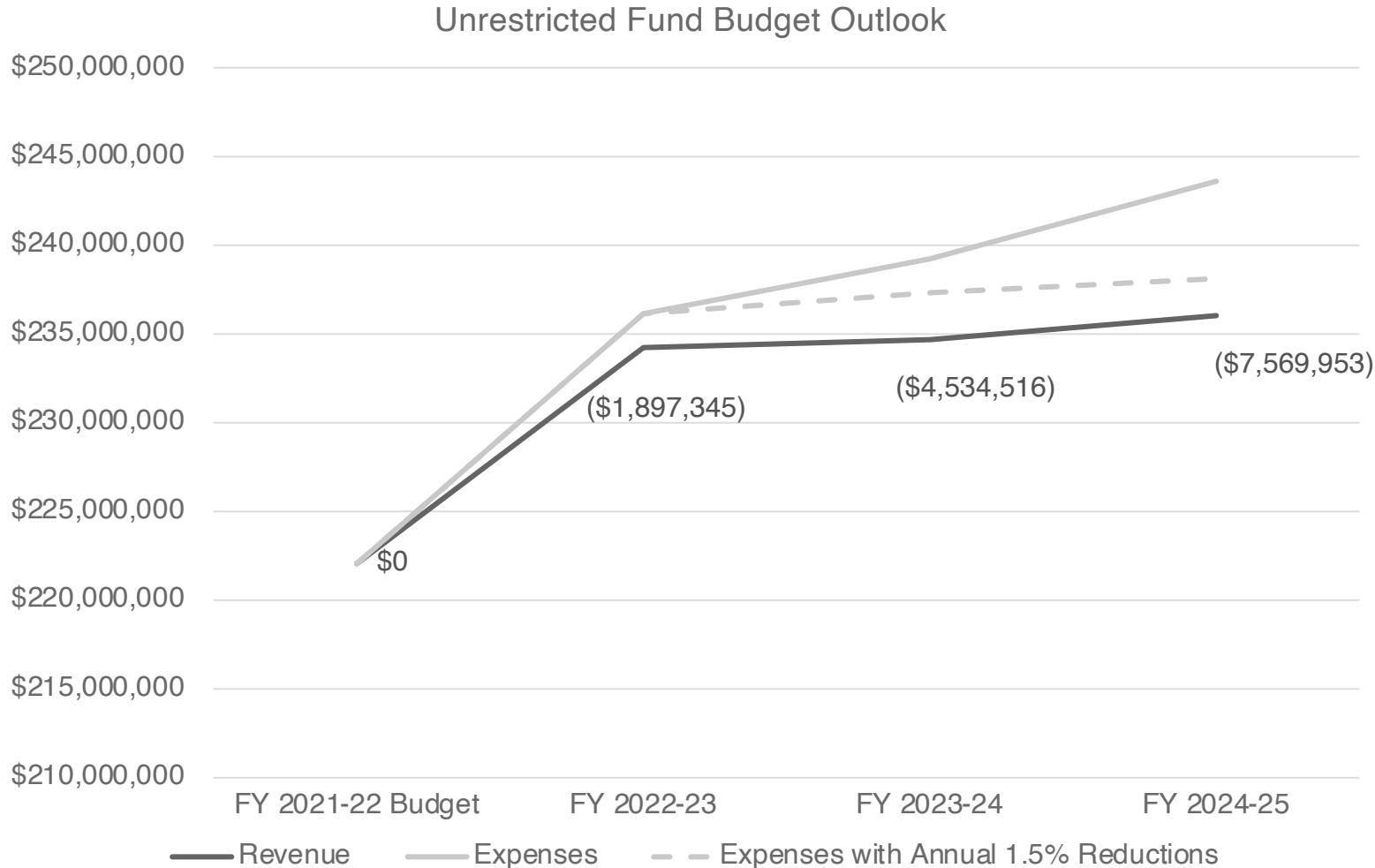
Denver Campus Unrestricted Expenses and Tuition Revenue



- ▶ Expenses 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%

Projected Gap Between Revenue and Expense



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**

Setting the Stage

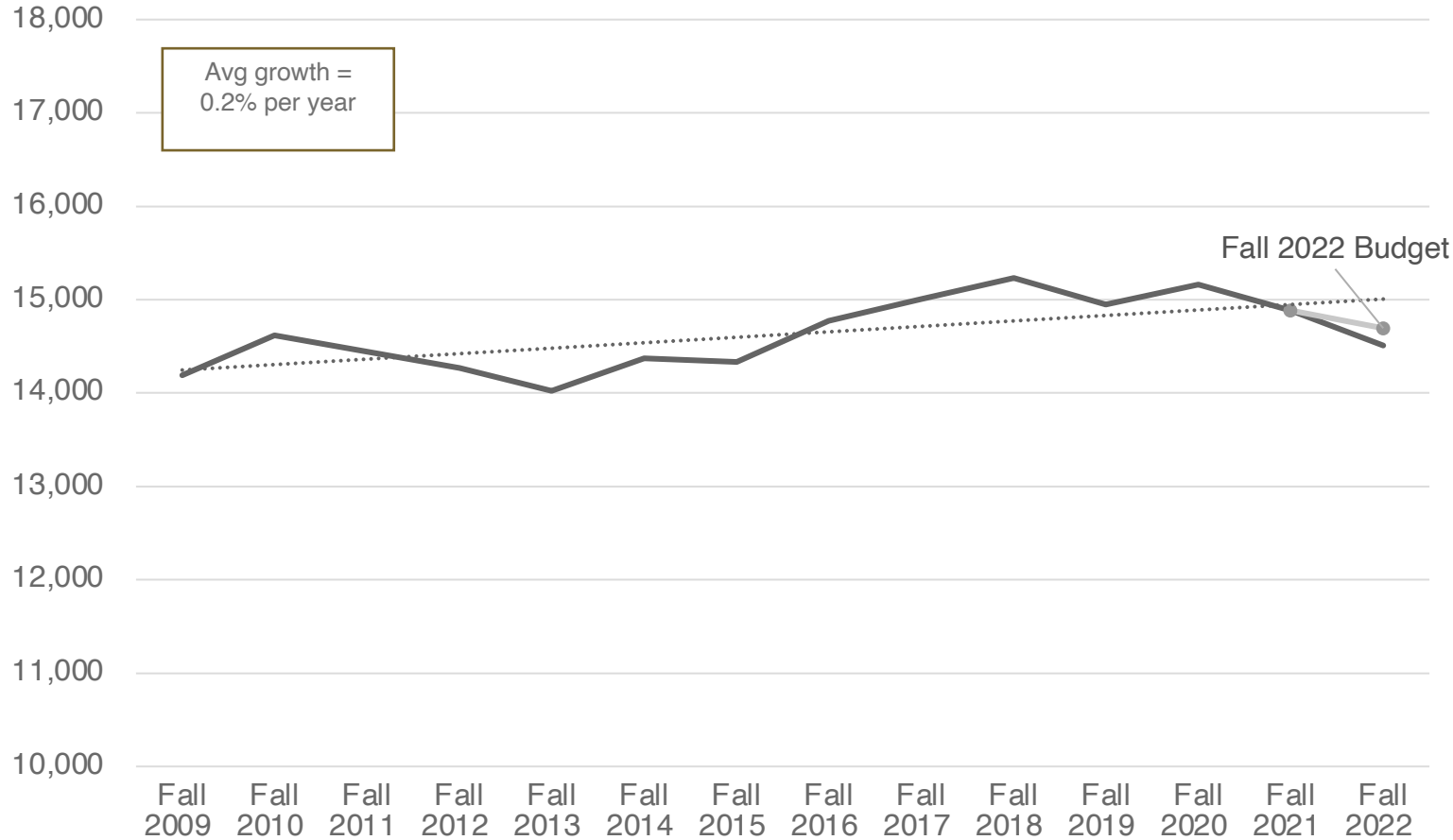
- ▶ Since we developed this budget scenario in March 2022, the outlook has worsened:
 - Fall 2022 enrollment under budget
 - State revenue forecasts have softened
 - High sustained inflation
 - Recent softening Leading Economic Indices

- ▶ We must work together to right size our institution in order to put ourselves in a fiscally strong position to grow

CU DENVER

FY 2022-23 Update

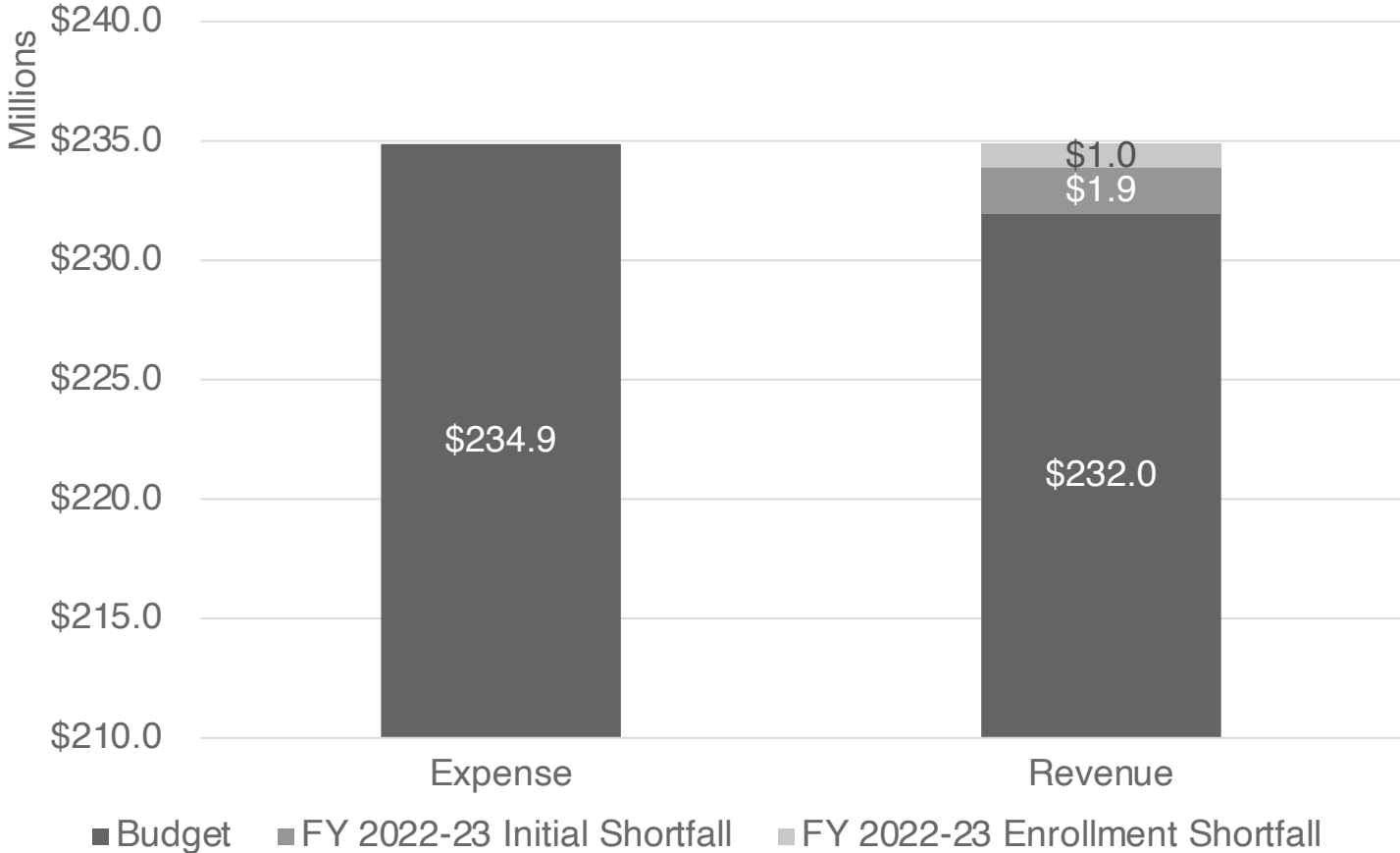
Denver Campus Enrollment



- ▶ 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

FY 2022-23 Update

FY 2022-23 Unrestricted Fund



- ▶ 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

State Funding Outlook

Gross General Fund Revenue

Billions of Dollars

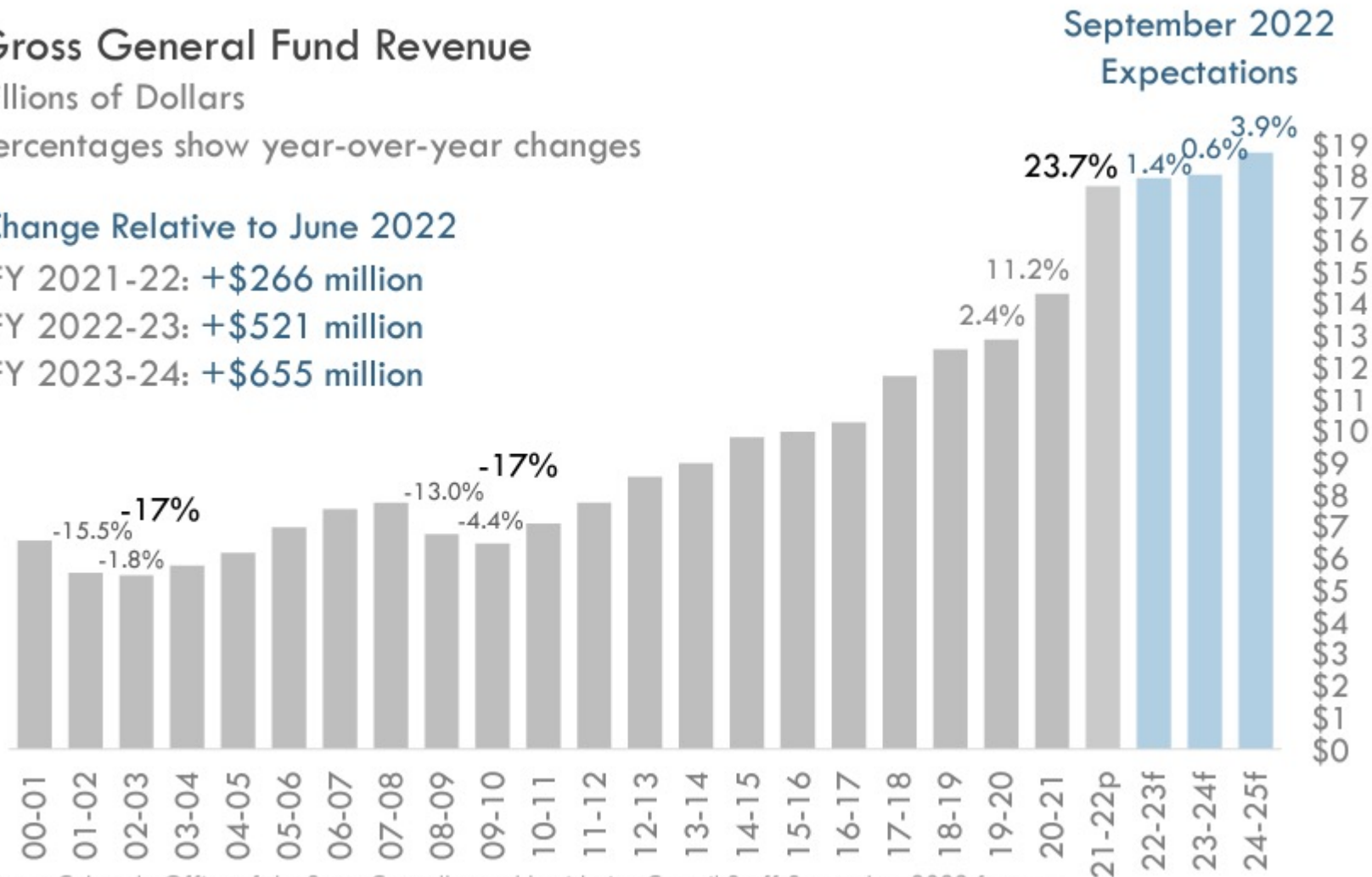
Percentages show year-over-year changes

Change Relative to June 2022

FY 2021-22: +\$266 million

FY 2022-23: +\$521 million

FY 2023-24: +\$655 million



- ▶ The long-range scenario assumed 4% growth in state funding, but recent projections for state General Fund revenue are relatively flat

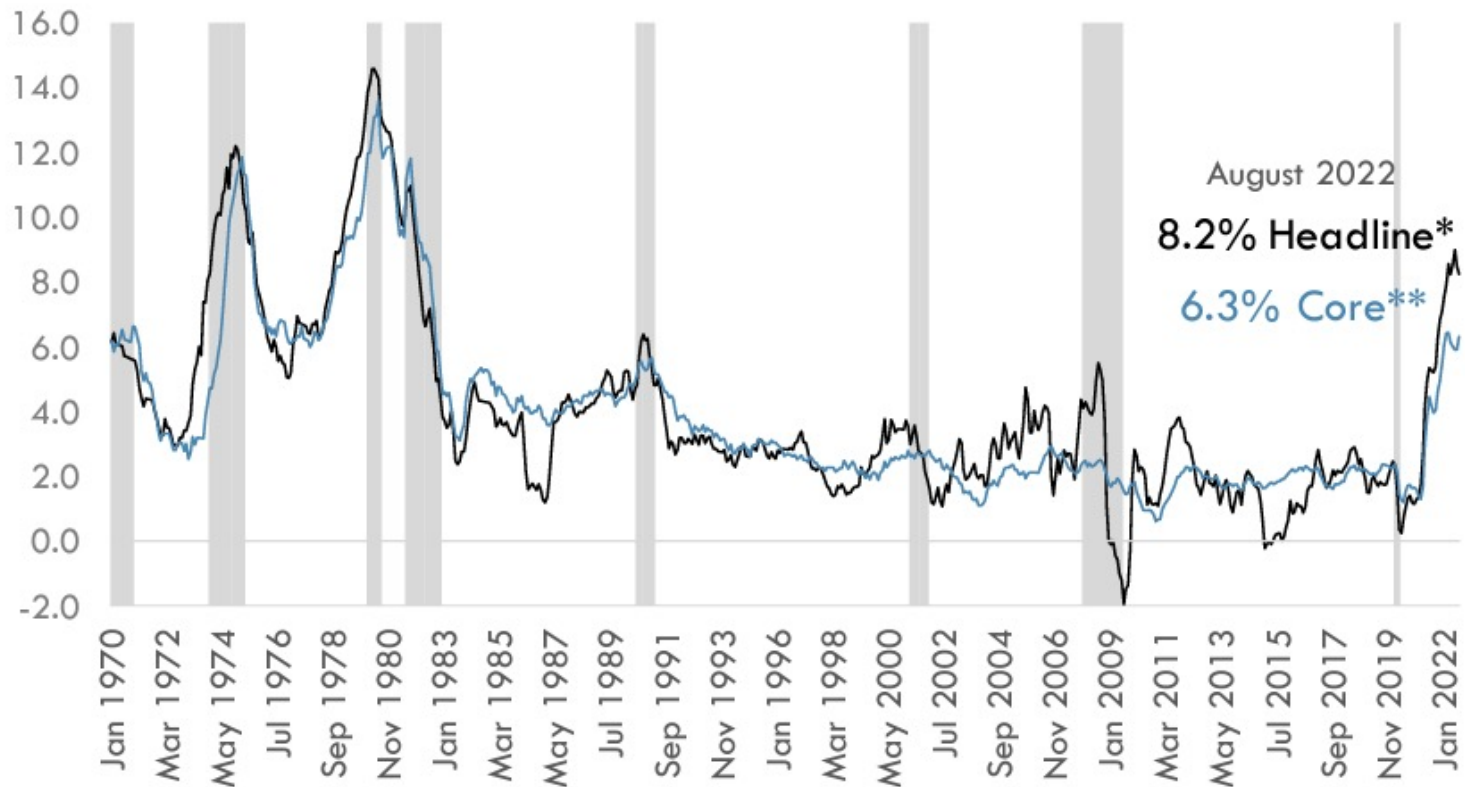


External Pressure

average 7.9 percent in 2022 and 4.3 percent in 2023

U.S. City Average CPI-U Inflation

Year-over-Year Change in Prices



Source: U.S. Bureau of Labor Statistics.

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.

- ▶ 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

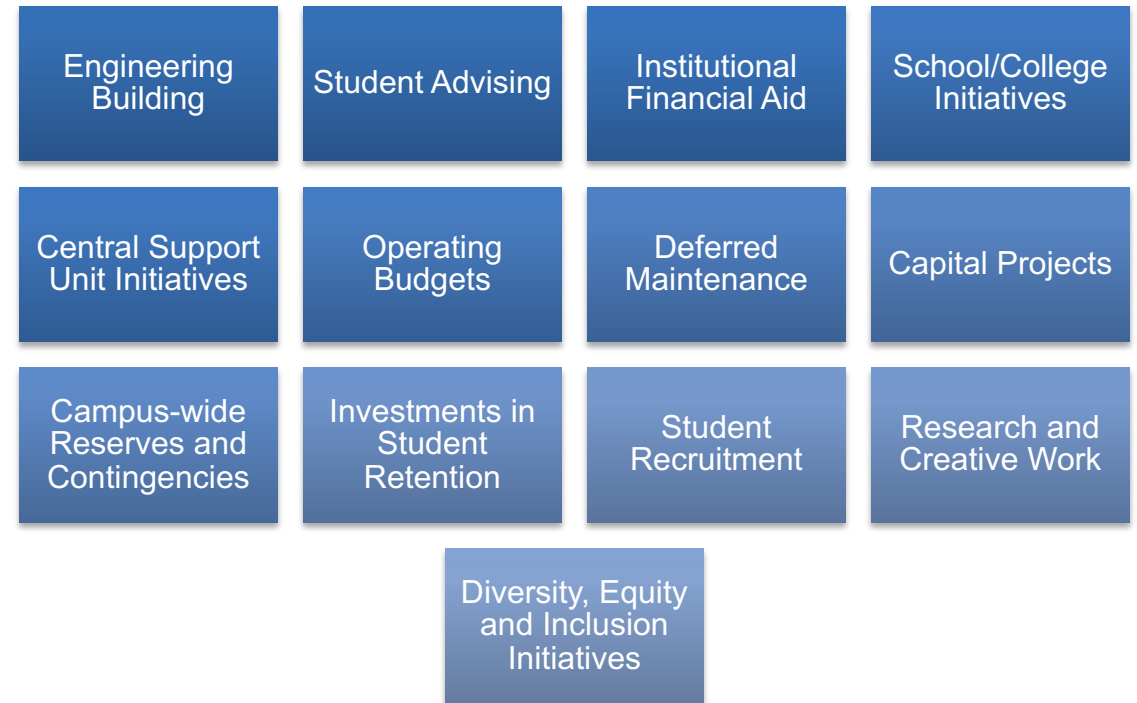


Internal Pressures

Mandatory



Areas for Investment



CU Denver Fiscal Outlook as of September 2022

- ▶ 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.

Estimates as of September 2022	FY 2023-24
<u>Revenue</u>	
New Sources (enrollment, tuition increases, state support, etc.)	\$2,000,000
Total Estimated Annual Change in Revenue	\$2,000,000
<u>Expenses</u>	
Previous Year Revenue Less Expense	\$2,900,000
Mandatory Costs	\$5,000,000
Compensation (3%)	\$3,600,000
Total Estimated Annual Change in Continuing Expenses	\$11,500,000
Revenue Less Expense (Cumulative)	(\$9,500,000)

Governor's FY 2023-24 Budget Request- November 2022

Governor's November 2022 Budget Request for FY 2023-24 includes the following items that will impact the CU Denver outlook:

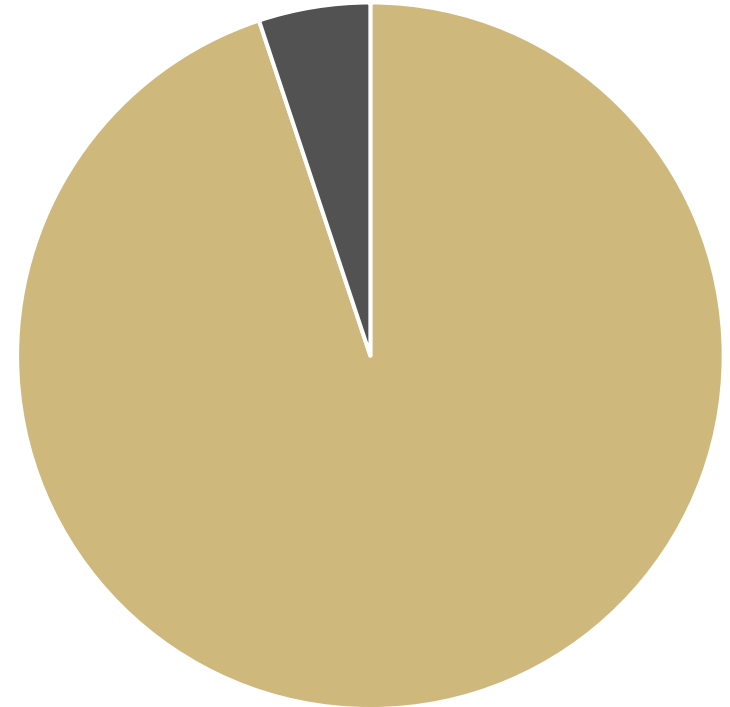
- ▶ 6.3% increase in state funding for CU (approximately \$3M for CU Denver)
- ▶ 4.0% cap on undergraduate resident tuition increase
- ▶ 5.5% cap on nonresident tuition increase
- ▶ 5.0% across-the-board classified salary increase

Evolving FY 2023-24 Challenge

- ▶ 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.



How will we achieve that number?

- ▶ 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

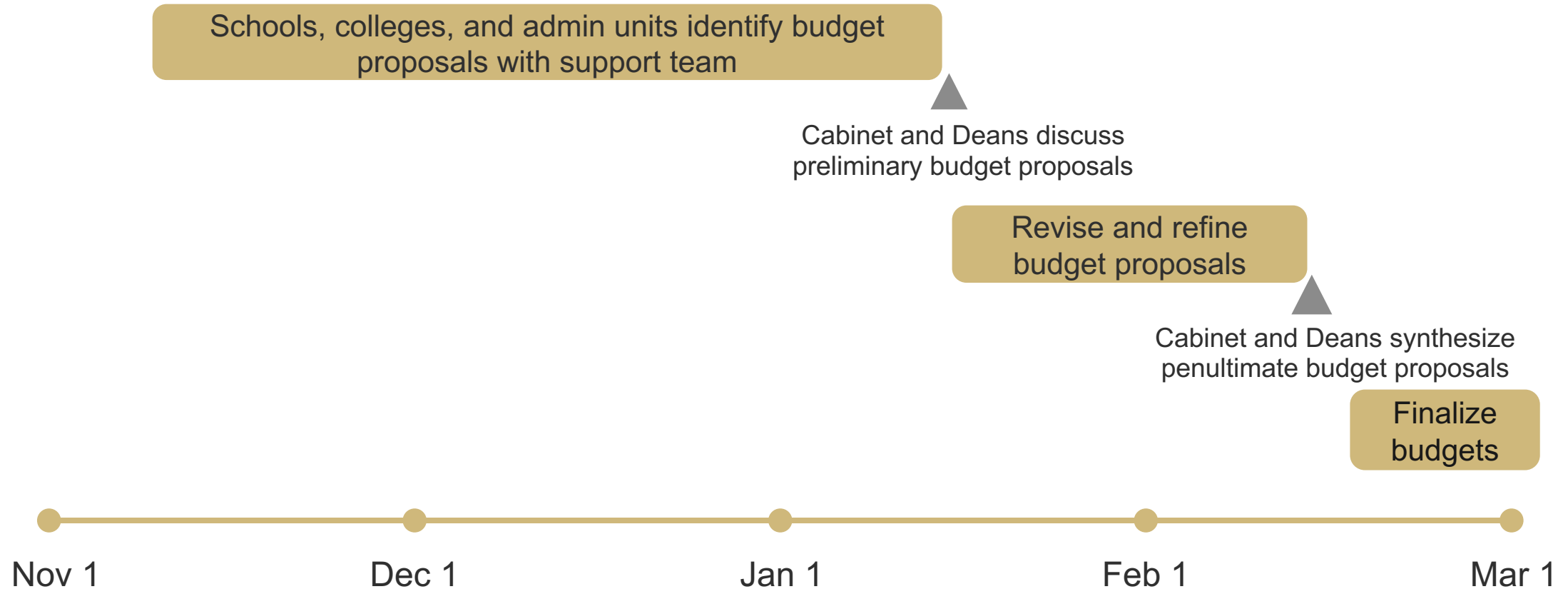
- ▶ **Administrative Units**

- 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?



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



Discussion

Toward Achieving Vision 2030 Website

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



<https://www.ucdenver.edu/achieving2030>