**Budget Allocation Review Committee - Session #4**

**October 24, 2024**

Attendees: Ann Sherman, Jen St Peter, Beth Myers, Lauren Goolsby, Nate Thompson, Anthony Wilson, Michael Leaser, Kelly McCusker, Rich Allen, Scott Dawson, Julien Langou, Stephanie Kelly, Nikolas Chabot-Olson,Mark Golkowsi, Amy McGuire, Phillip DeLeon,

*Missing Attendees:* Margaret Wood, Julia Mahfouz

**NOTES**

Recap of Session #3

Jen St Peter provided an overview of the data collected from the homework completed by the BARC members, which involved ranking nine different budget models’ alignment to the BARC’s guiding principles. While there was not a huge variation in the budget models, performance-based budgeting (PBB) was most aligned to the guiding principles overall based on averaging the BARC members’ rankings; contemporary decentralized budgeting and responsibility center management (RCM) had the second and third highest alignment average. In the homework, contemporary decentralized budgeting was identified as the model that best aligned to the principles, and it was recommended as the top model to move forward.

The group discussed the next steps based on the data:

* Members of the group expressed dissatisfaction with the level of alignment of our principles with any/all of the models.
* The group discussed that this is an iterative process that will require some back and forth to refine our principles and revisit the possible budget models.
* One member raised the question of transparency and how transparency can occur within any model, as well as the importance of understanding all of the components of the model. This process will help illuminate how we communicate about the budget model in order to share the rationale behind decisions.
* Empathy/fairness principle – this is completely missing at this point. We may want to look at how this is included as we revisit the principles.

Jen emphasized that the homework was not intended to be a “vote” and no decision has been made yet. She asked members to consider narrowing to a few models (based on this initial assessment of alignment to principles) to focus on to help us begin to think through the other decisions that need to be made.

* The group asked for additional clarification between responsibility center management and contemporary decentralized budgeting. There was a desire to mitigate the challenges of extreme changes (cuts) and slow growth. Jen shared that a mission enhancement fund could address this once sufficiently built and could supplement funding until growth “catches up” in the model.

Decision Points

Jen provided an explanation of three large topics that the committee will make decisions around:

1) revenue allocations (e.g. tuition, state funding, auxiliaries),

2) indirect costs (e.g. insurance utilities, admin and support units), and

3) university revenues/mission enhancement fund (e.g. support for units unable to cover their direct expenses, funding strategic initiatives, revenues, participation rate).

She provided examples of the decisions that would need to be made within each category and the way these areas have been set up within our current budget model.

Jen also explained tuition differentials, including two types of differential tuition types built into the tuition structure (i.e. higher tuition for higher cost of instruction units, out of state tuition). The group discussed the potential implications for differential tuition in terms of incentivizing or de-incentivizing specific recruitment activities/populations (e.g. recruiting out-of-state or international students versus in-state students).

Jen provided context and examples of how indirect costs can be applied in a budget model, including taking central costs off at the front-end versus allocating on the back-end through the model. We currently use a back-end approach. As a result, admin budgets are locked in (from 2017-18) and only change based on mandatory adjustments or based on specific proposals. She shared that the current split of admin/indirect versus schools/colleges is roughly 35/65 (excluding campus-wide mandatory expenses).

The group discussed the differences in terms of how we make decisions about the use of space – and whether this is a decision located in the schools/colleges or at a central level that takes into account the needs of the whole institution.

The group also discussed the possibility of embedding activity-based budgeting (for example, for administrative areas) inside a contemporary decentralized budget model.

A question was raised regarding the application of subvention in the current model – where this occurs now. Only two schools/colleges do not require subvention because their expenses are higher than their allocated revenue. One member proposed the application of a zero-based budget to units that cannot meet their direct costs. Another member proposed higher course costs for smaller class sizes. Overall, the group identified the need for accurate base budgets, acknowledging that not every unit is growing all the time.

Key Messages to the campus from the committee’s 4th session:

1. Budget model needs to consider the difference in costs between different academic programs. We may need more information about what creates differential costs currently.
2. The committee identified the areas for decision-making: revenue allocations, indirect costs, university revenues/mission enhancement fund.
3. The committee began narrowing down the types of budget models the committee wants to continue investigating.

Chancellor/Deans – Joint session with BARC (3:00-3:30)

*Additional Attendees: Ann Schmiesing, Dan Maxey, Constancio Nakuma, Annie Miller, Lucinda Bliss, Elizabeth Pae, Stephanie Santorico, Marvin Lynn, Pam Jansma, Marty Dunn*

Ann Sherman provided an overview of the BARC and a brief overview of the committee’s progress-to-date. She shared the key messages from Sessions 1 through 4.

The deans asked for additional detail about the budget models the BARC is considering. Ann shared that BARC is still confirming that, but likely contemporary decentralized, performance-based, and responsibility center budgeting will be considered. Jen St Peter provided a brief explanation of these models referencing materials from BARC session #3.

Ann asked the deans to share how local communication was going within schools/colleges. Pam shared that the communication was going well and Rich had shared information with faculty/staff in multiple meetings, including CLAS shared governance bodies. Lauren shared that SPA faculty/staff received this information through a retreat. Scott indicated he would be sharing information to all faculty/staff tomorrow. Lucinda and Anthony shared several upcoming opportunities for sharing information. Marvin shared several ways information had already been shared as well as an upcoming retreat. Stephanie shared several groups that have been reached directly already in CAP. Marty noted the complexity of the models and the detailed questions that have been generated. He also noted an interest in receiving more information about the underlying metrics.

Ann shared the reach of the first round of learning sessions (~325 people). The next round of campuswide learning sessions will occur over the next two weeks (October 30 and November 5).

A question was raised about the connection of the program viability group. Beth and Rich shared that the budget model and this work will occur in parallel and the work may influence each other as we go.

The group discussed the timeline and the rationale for completing the recommendations for the revised budget model during this year. Ann explained the intent to test the new model in FY26 – running both models in parallel initially.

The deans requested additional details regarding the model. Stephanie suggested a longer transition period be considered if there will be significant adjustments to the current model.

Ann Schmiesing shared insights from the Boulder budget model. She discussed the differences in weighting, for example, college of instruction versus college of record and how this impacts allocations under the model. She noted the need to adjust along the way to the budget model to ensure it operates in the way we want it to.

Marty asked about the vision for how the new budget model will be applied, specifically asking if the model would run in an automated way as opposed to having human intervention. Ann Sherman shared that the human element will continue to be a part of the process. Nate noted that the BARC had discussed proactively identifying points of risk. Marty and Ann both noted the benefit of a more automated process in terms of facilitating forward planning.