


Questionable Decisions

A review of the University of Colorado's budget choices and priorities.

Part 1: A Call for Sustainable Funding of Public Education as a Public Good.

May 2021





Executive Summary	2
A Note on Diversity as a Budget Priority at CU	3
Key Findings	4
The COVID-19 Pandemic	6
Worker Pay, Furloughs, and Layoffs	7
Budget Reduction Planning	8
State Support	9
Impacts of Budget Choices on Students	11
Tuition	11
Shift to Prioritization of Out-of-State Students	13
CU Workers	15
Cost of Living	17
University Budget	19
Traditional Budget Measures	19
University Debt	23
Conclusion	27
Research Notes	28

Executive Summary

In the face of the COVID-19 pandemic and its financial impacts, the University of Colorado (CU) system has made many budget choices. While university leadership claims furloughs, lay-offs, and department budget cuts were all necessary due to unexpectedly limited resources, the data tell a different story. CU's budget decisions highlight a tuition-driven "business model" that has been, over time, privatizing public education to the detriment of its employees and student workers. This approach does not reflect the mission of public higher education. The [University of Colorado's vision](#) is to **"be a premier, accessible and transformative public university that provides a quality and affordable education with outstanding teaching, learning, research, service, and health care."** The budgeting choices CU has made were not the only ones available. There are other, better choices to be made; choices that prioritize good jobs, affordable education, educational access, and Colorado's communities.

Our public universities are essential to our communities. We look to them to provide students with an affordable, high-quality education, and a feasible path to move up the socio-economic ladder. As workers, we look to Colorado's public universities for good jobs that allow us to work for the public good while making a living wage with decent benefits.

Yet state funding for education in Colorado does not reflect the importance of these essential public institutions to our communities and future. State funding makes up only [6.1% of CU's budget](#). Much of **CU's revenues (23.7%)** come [from student tuition and fees](#), which incentivizes tuition increases and the recruitment of higher-paying out-of-state and international students over Colorado residents. Tuition increases have dramatic consequences for access to higher education – particularly for students from underrepresented backgrounds. Increased state funding is essential to CU's ability to continue pursuing its mission and providing a quality education to the public in the future.

Low state funding is a huge problem for CU, but it is not the only problem. A thorough analysis of CU's budget over time reveals questionable choices CU's administration made during budget challenges, when other choices were available.

Budgets do not make choices. People do. This report looks at some of the choices that CU System administrators have made regarding how and when to cut budgets. We recognize that a dire shortage of state funding impacts their decisions. At the same time, their response has consistently prioritized CU's financial health over the needs of its workers. CU's "business model" is bad for students, bad for workers, and bad for Colorado. These decisions are often masked as financial imperatives, their logic buried in opaque budgeting documents. *Questionable Decisions* offers an initial look into that rationale to show that CU can afford to pay its workers a fair wage, support students, and fulfill its mission to provide accessible, high-quality higher education to all Coloradans.

CU's budget approach does not reflect the mission of public higher education and highlights a tuition-driven "business model" that has been privatizing public education to the detriment of its employees and student workers.

This report calls for a shift in priorities, beginning with making budgeting decisions more transparent. Lack of transparency in recent cuts that were ostensibly due to COVID-19 impacts has resulted in inequitable furloughs and salary reductions. Worse, they have attempted to set students against faculty, equating tuition increases for one with the salaries of the other. This ignores inequality in salaries across the system – **8.5% of CU’s workers make less than a living wage for a single adult head of household in the communities where campuses are located, while the top 1% of employees earn as much as the lowest-paid 14.2% of workers combined.**

CU can’t go on like this. Changes in budgeting priorities are a first step that needs to be accompanied by state policy changes that enhance funding for higher education in ways that will benefit the public at large.

A Note on Diversity as a Budget Priority at CU

CU’s current data on racial diversity is concerning. When comparing [publicly available data on university racial/ethnic demographics](#) and comparing it with the [latest census data](#), we see the unevenness of the CU system’s ability to adequately represent BIPOC students, faculty, and staff. At all campuses, there is a lack of differentiation between racial/ethnic groups for staff and faculty. Only white and minority classifications are delineated. Despite this lack of granularity, we still see white staff and faculty [drastically overrepresented \(79%\)](#) when compared to **Colorado’s demographics (67.7%) for 2019.**

When looking at student data, it appears the CU system is slowly moving in the right direction to become more racially and ethnically diverse, but this data is skewed by CU Denver’s more diverse student body. **CU Denver is the only campus where Black/African American and Hispanic/Latino students are in line with Colorado’s census data.** Black/African American and Hispanic/Latino students are underrepresented in CU’s system-wide data. If the University of Colorado intends to be a public institution that prioritizes diversity, equity, and inclusion, we must begin to address issues of representation on CU’s campuses regarding students, staff, faculty, and administration.

In all things going forward, this goal should be a key focus.

Key Findings

- **CU's financial situation:** According to traditional financial markers like net position ([the difference between resources and claims against those resources](#)), CU is in a strong, healthy financial position. Due to a lack of state financing, though, **CU has increasingly become reliant on private financing and out-of-state tuition revenues.** Relatedly, CU has made cuts to essential educational expenses in order to make room in the budget for debt service and investment portfolio obligations.
- **State support:**
 - » **Colorado ranks 45th in the United States for state funding** per full-time equivalent (FTE) student enrolled in public higher education, [averaging \\$4,553 per FTE in 2019](#). Increased state support for public higher education is necessary to provide quality, equitable education to Colorado students, and to avoid CU and other public institutions being de facto privatized by a heavy reliance on external financing.
 - » On average, American Association of Universities (AAU) schools receive [23.1% of their revenues from state funding](#). In FY20, the **CU system received only 6.1% of its revenue from state funding**. This is one of the lowest percentages of state funding in the United States.
 - » In the midst of the COVID-19 pandemic, the State of Colorado [cut higher education spending by 58% in FY21](#).
- **Budget choices in 2020 and 2021:** In the wake of the COVID-19 pandemic, CU chose to increase its investment portfolio and maintain debt service payments while making cuts to worker pay – all while faculty, staff, and students were working more hours to adjust to the pandemic. More cuts to workers are proposed for FY22, including **not filling empty positions (meaning current employees are taking on more responsibilities), replacing tenure-track (TT) faculty with instructors, cutting student employees, and not providing necessary cost-of-living adjustments.**
- **Debt-funded projects:**
 - » While tuition and student fees increase, and staff and faculty wages stagnate, CU prioritizes debt-funded campus construction projects. Since 2001, CU has taken out **\$3.33 billion in bond debt principal. In 2020 alone, CU issued over \$500 million in new bond debt.**
 - » CU has legally obligated itself **to charge tuition and fees that raise enough revenue not only to provide its students with an education, but that also cover debt service** and save money to the Reserve Fund.

- **Purchases of investments:** In FY20, at the same time CU was making approximately \$250 million in budget cuts in the wake of the COVID-19 pandemic, it **spent \$204 million more on purchasing investments than it made from investment sales and maturities.**
- **Tuition and student debt:** Growth of tuition and fees at all CU campuses has **significantly outpaced inflation.** According to [IPEDS data](#), CU continues to become more expensive for both in-state and out-of-state students.
- **Out-sized salaries:** Salaries at CU are not equitably distributed. **The highest paid 1% of employees at CU make more than the lowest paid 14.2% of workers combined.**
- **Cost of Living:** 8.5% of full-time workers at CU earn [less than a living wage](#) for a single adult living alone in the area where they work. More than **70% of full-time workers** do not earn enough to provide a living wage for a family of four.



The COVID-19 Pandemic

Higher education faced tremendous changes and challenges in the face of the COVID-19 pandemic. There were sudden new investments that needed to be made in PPE, remote learning technologies, HVAC and air purification upgrades, and other areas that became essential overnight. CU [invested in COVID testing](#) for students, faculty, and staff. Housing and dining revenues plummeted and some Spring 2020 semester costs had to be refunded to students. Enrollment for Summer and Fall 2020 and Spring 2021 went down, meaning tuition and student fee revenue did as well.

We understand these challenges, and as CU faculty, staff, and student employees, we were there; we experienced this upheaval, too. We know these challenges first-hand. But CU has used COVID-19 to make deep budget cuts that have impacted education quality and employee wages. These austerity measures were unnecessary and the impact of COVID-19 on CU's budget was overblown. There were other budget adjustments, less harmful to CU's core mission, that could have been made instead.

The main adjustments could and should have been made with CU's debt and investment portfolios. CU issued over \$500 million in new bond debt in 2020, much of it after COVID-19 impacts became apparent. This money went to capital construction projects and to refinance older debt – ostensibly helping CU balance the FY20 budget by reducing FY20 debt service (although debt service in FY20 was still a whopping \$447 million even after refinancing).

CU has a large and opaque investment portfolio. Some of it is held by CU itself and some investments are held by the University of Colorado Foundation. As of March 31, 2021, [CU held more than \\$2.75 billion](#) in daily or weekly liquidities. Why wasn't a portion of this money used to cover faculty and staff salaries and the additional expenditures required by adjustments to operations during the COVID-19 pandemic? We believe CU maintained the size of its investment portfolio, rather than using it to support its public education mission, because credit rating agencies like Moody's and Fitch [value investment portfolio strength](#) over quality education. We also believe that key decisions about re-opening campuses after closures were driven as much by credit rating agencies' priorities as anything else.

Throughout the pandemic, when talking about budget cuts, administrators emphasized the importance of tuition revenues to campus budgets. If tuition revenue went down and expenses went up, unit budgets had to be impacted – meaning, in their interpretation, workers had to be impacted. Tuition revenue was the main focus as if there were no other financing options available to CU. We argue that there was, and is, a different path to manage financial challenges during a crisis. There is a path that involves selling investments or refusing to make full payments on debt. This might impact CU's credit rating and ability to take out future debt, but it would allow the university's educational and public mission to continue unabated.

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Worker Pay, Furloughs, and Layoffs

On April 2, 2020, after a few weeks of remote work and changes in course modalities, CU President Mark Kennedy and the campus chancellors released their [first statement](#) on the expected pandemic impact on the system’s budget. Despite praising CU workers’ “commitment, patience and hard work during this unprecedented and challenging time,” they announced a delay in compensation increases that were scheduled for July 2020. These increases have still not, at the time of writing in May 2021, been made for faculty and professional staff, although classified staff are set to receive a [3% across-the-board increase](#) in July 2021. Cost of living in Colorado continues to increase and the national Consumer Price Index (CPI) – a traditional marker of inflation - [rose by 2.6% in the last year](#); therefore, the removal of the compensation increases amounted to a significant pay cut for CU’s faculty and professional staff.



On April 22, 2020, CU System and campus leadership teams [announced](#) they would be taking a 10% pay cut in the form of periodic furloughs. These high-level administrators average over \$350K per year in salary. By May and June 2020, campuses were [announcing continuous furloughs](#) for employees whose work had disappeared or could not be performed remotely due to the pandemic. These workers, mainly the lowest-paid workers in facilities, housing, and dining services, were told to apply for and rely on unemployment.

CU campuses implemented pay cuts, in the form of periodic furloughs, differently. Other than campus leadership – who at all campuses and system offices received a 10% furlough, [at CU Boulder](#) all staff and faculty earning more than \$60K were given an across-the-board 5% pay reduction. UCCS implemented a 4.6% pay cut for workers earning more than \$60K. CU Denver took a slightly more [equitable, graduated approach](#), as shown in the graphic below.

Table 1: Graduated periodic furloughs at CU Denver

Source: [CU Denver Human Resources](#)

	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 6
Minimum Base Salary	\$0.00	\$60,000	\$90,000	\$120,000	\$150,000	\$180,000
Maximum Base Salary	\$59,999	\$89,999	\$119,999	\$149,999	\$179,999	and above
Furlough Days Per Year (equivalent % salary reduction)	0 days (0.0%)	12 days (4.6%)	16 days (6.1%)	20 days (7.7%)	24 days (9.2%)	26 days (10.0%)

Early retirements and job separations were also incentivized as part of budget reductions. CU Boulder's [College of Arts & Sciences](#) stated that [60 tenure-track \(TT\) professors would need to voluntarily retire](#) in order to meet a 5% overall budget reduction for that college. As a further cost-cutting measure, the College proposed replacing 50 of those TT positions with 25 full-time instructors. Instructors are paid a fraction of the salary of TT faculty to work a teaching load of four courses per semester, or double what most TT faculty do. Though a recent study sponsored by the College of Arts and Sciences recommends [reducing the teaching load for full-time instructors to three courses per semester](#), those changes have been put off during the pandemic. Even if they are implemented, the plan amounts to replacing TT faculty with instructors, who typically make below a living wage for the Boulder area. Putting budget cuts on the backs of workers is no way to resolve a crisis that reveals, and amplifies, larger systemic problems within the CU system.

Budget Reduction Planning

In April and May 2020, [CU campuses asked](#) units to make plans for potential 5-20% budget reductions. CU Denver's College of Engineering, Design, and Computing (CEDC) announced that they were asked to plan for 10% and 20% budget reductions. In many units, this meant a reduction in educational resources and staffing. New hires were frozen and empty positions were to remain vacant. Furloughs and layoffs began to be implemented more widely. Some units had reserve funds to buffer their budget cuts, others did not. Units with reserves tended to be the more "revenue-generating" or "market-based" programs. Still, "None of us will be untouched," said CEDC's May 1, 2020 announcement about budget planning. But units and workers were not impacted equally – or equitably.

In May 2020, CU Denver announced that it would be using half of its reserve balance to cover some of the budget shortfall. Administrators claimed in a [budget town hall](#) that it would not be "prudent" to use the full reserves. This raises the question - what other disaster are they waiting for? If the pandemic was not a reason to use all the reserve funds, what would be?

"Our people are our most important asset and our highest investment, and salaries represent approximately 70% of our expenses," said CU Denver's chancellor Dorothy Horrell in a [May 20, 2020 statement](#). CU Boulder's College of Arts & Sciences (A&S) stated that salaries and benefits made up 86% of A&S spending. While these numbers might be true on the campus or college/school level, at the CU System level more money in 2020 went to purchase investments than went to workers' salaries and benefits.

Putting budget cuts on the backs of workers is no way to resolve a crisis that reveals, and amplifies, larger systemic problems within the CU system.

In September 2020, CU Boulder announced that most, but not all, units would have to make a [5% budget reduction](#), which would not include budget cuts made

by mandatory furloughs. It is still unclear which units were considered critical enough to merit smaller budget reductions, or who made those decisions, but we found it interesting that, for example, [Strategic Relations and Communications](#) – CU Boulder’s PR department – only received a 4% cut, while most academic units received the full 5%. To us, this demonstrates how CU prioritizes advertising and media relations over teaching and research.

State Support

Part of the CU System’s budget problems stem from three decades of declining state funding that have seen Colorado fall to [45th in the United States](#) for per capita support in higher education. By contrast, the State’s economy has grown steadily during this same period, propelled in part by a high level of educational attainment that ranks 3rd in the country. Decreased state funding has forced the CU System into a “business model” reliant on tuition revenue and debt financing to make ends meet. The burden of remaining cuts have been passed on to CU’s workforce.

CU’s budget problems did not magically appear with the COVID-19 pandemic in 2020. They have been more than three decades in the making, as chronic defunding of higher education at the state level has forced the CU system to rely more on tuition revenue and private lending.

Part of this change in funding sources reflects national trends. State funding for public universities has declined continuously since 2008. At first justified due to the Great Recession in 2008, state support has failed to rebound even as the economy has grown. Public universities [have turned to debt and tuition increases](#) to keep their budgets afloat. This has created a negative cycle where universities’ ability to borrow money from private sources is conditioned by their projected revenue from tuition. Debt service has to be paid using university-generated revenue – meaning that the more institutions borrow, the more money they have to bring in from tuition, fees, and other sources.

The CU System is out in front of national trends on both counts. Colorado already provides one of the lowest levels of state support for higher education nationally. In FY20 the CU system received only 6.1% of revenue from state funding. Nationally, American Association of Universities (AAU) schools receive 23.1% of their revenues from state funding. As we will discuss in more detail later, the CU System has turned to debt financing partially as a result of low state funding. In FY20, CU spent 9.24% of revenues on debt service payments, including principal and interest.

Part of why CU is in this situation is the Taxpayers Bill of Rights, or TABOR, passed by Colorado voters in 1992. TABOR limits the annual growth of state and local

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revenue to a reductive equation of inflation plus annual change in population. Since 1992, state support for education at all levels has fallen precipitously. When TABOR was on the ballot in 1992, [Colorado ranked 35th in the United States for per capita spending on higher education](#). After TABOR, per capita spending fell precipitously. By 2004, Colorado ranked 48th in the US in per capita support for higher education. In 2010, Colorado fell to 50th – dead last – in the United States. These cuts were justified in terms of national recessions. Since then, Colorado has climbed back to 45th, spending an average of [\\$4,553 per FTE in 2019](#), or \$2,645 less than the national average. That modest recovery still fails to make up for chronic defunding of higher education in Colorado. Every surrounding state except Kansas (46th) spends more on higher education, as does every other system in the Pac-12 conference except Arizona (50th). Throughout this time period, per capita personal income has steadily increased in Colorado. In 2019, [Colorado ranked 13th in the United States for per capita personal income \(adjusted\)](#). Even as the state’s economy grows, the university system is continually starved. Still, past CU President Bruce Benson, and current outgoing President Mark Kennedy have shown tepid support at best for challenging TABOR. Instead, they have repeatedly supported increases in tuition and borrowing that bank on the CU System’s “brand.”

State support was deeply impacted by the COVID-19 pandemic. In fiscal year 2021, Colorado [cut higher education spending by 58%](#). Although the FY22 budget restores those cuts, we still don’t know the full extent of damage done throughout the CU system. We do know that it has meant significant cuts to salaries and operating costs across the system. The CU system is also poised to use poor state higher education funding to justify another round of tuition hikes. This, in turn, risks further damage to the system’s ability to meet its mission as many Colorado families find themselves unable to send their students to CU given rising costs and personal debt.

While CU needs to reevaluate its budgeting priorities, the State of Colorado certainly needs to as well. Increased state support for public higher education is necessary to provide quality, equitable education to Colorado students, and to avoid CU and other public institutions being privatized by external financing.



Impacts of Budget Choices on Students

Tuition

Public education is something the public at large ought to be able to afford. Working families and their children should not have to go into years – or decades – of debt in order to finance something as essential as an education. **The average amount owed – before interest accrued – for CU students at all campuses who graduated with debt in 2018 was \$24,865.12.** For most people, this is an astronomical sum with no clear route for prompt repayment of this debt.

According to public IPEDS data, growth of tuition and fees at all CU campuses has significantly outpaced inflation. CU continues to become more expensive for both in-state and out-of-state students. The graphs below illustrate this for undergraduate students at each of CU's campuses (Denver and Anschutz's data is combined).

Figure 1: CU Boulder Tuition & Fees vs. Inflation

Source: [IPEDS Data](#)

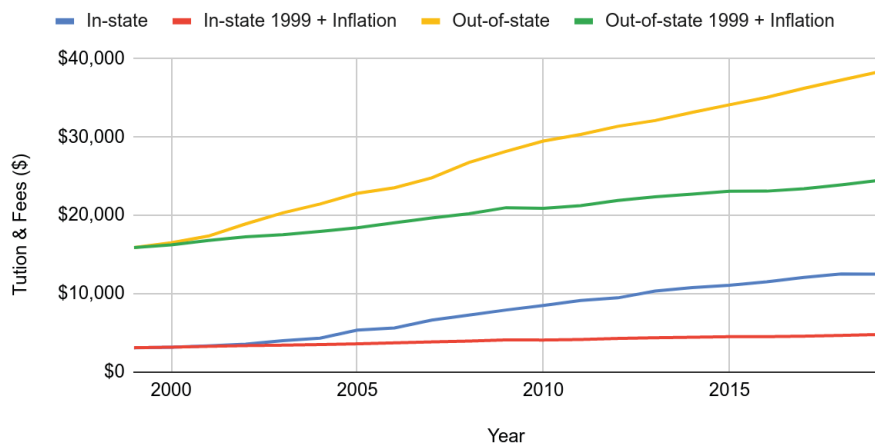


Figure 2: CU UCCS Tuition & Fees vs. Inflation

Source: [IPEDS Data](#)

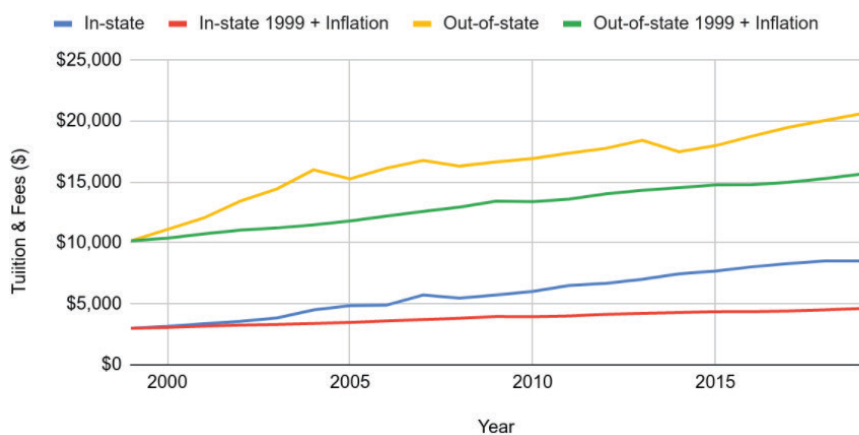
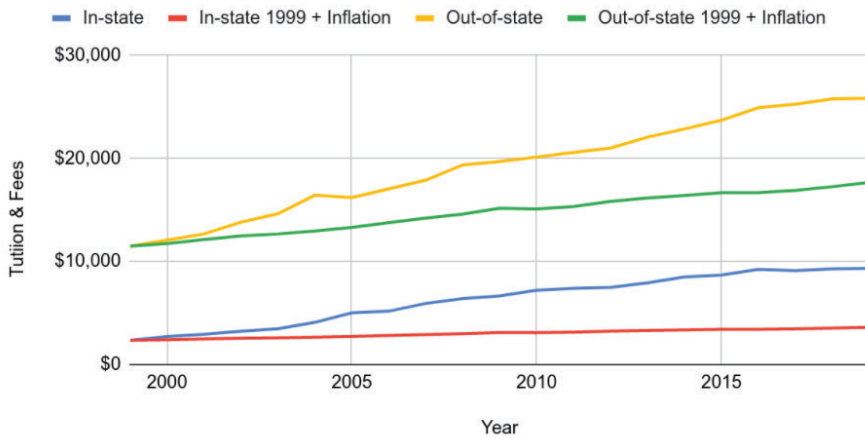


Figure 3: CU Denver & Anschutz Tuition & Fees vs. Inflation

Source: [IPEDS Data](#)

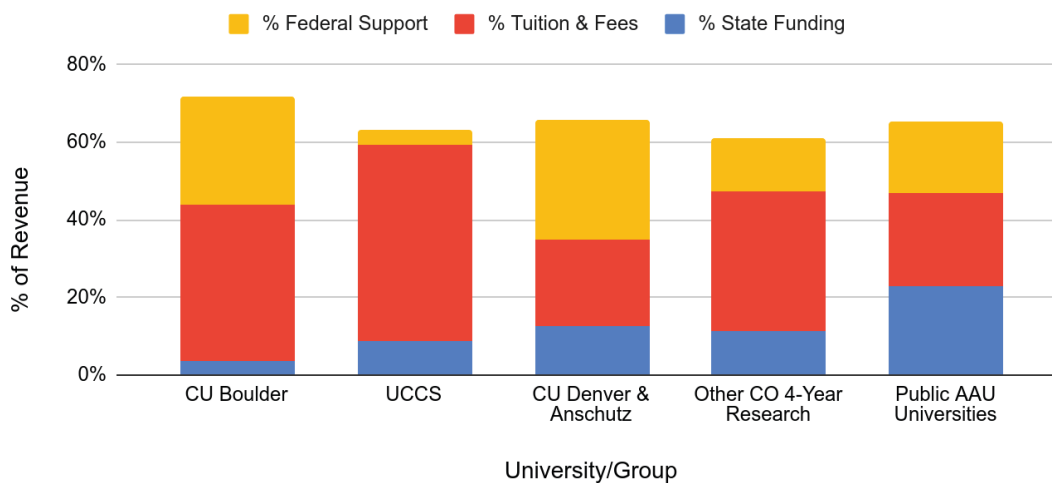


Low state funding and questionable budgeting decisions by CU’s administration result in an increased financial burden on students, one that lingers in the form of student debt post-graduation. We believe public education is a public good. Graduating from a public university should not result in significant college debt that, in turn, hinders one’s ability to start and build an independent life. Graduates should not have to plan life choices in their 20s and 30s (and further) around debt payments.

The chart below reflects CU’s main sources of operating revenue – keep in mind that many other numbers in this document reflect overall revenues and not just operating revenues. When looked at with this view, huge percentages of operating revenues come directly from tuition and fees – as high as 50.6% at UCCS.

Figure 4: Percentage of Operating Revenue from State Funding and Tuition

Source: [Chronicle of Higher Education](#) and IPEDS Data



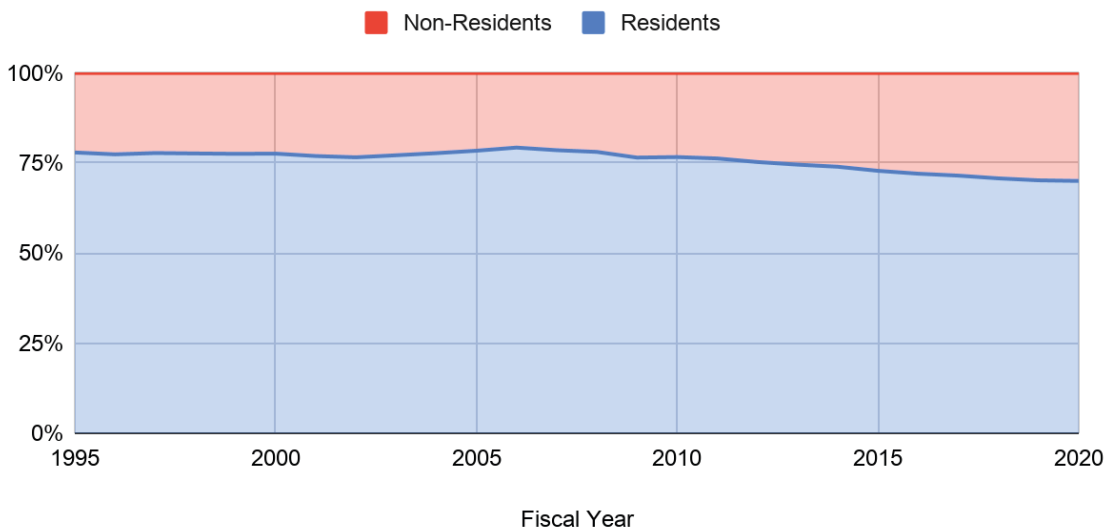
Shift to Prioritization of Out-of-State Students

Non-resident students pay more tuition than Colorado residents. Since state funding levels are so low, tuition is relied on as a major – or even the main – source of revenue that keeps the university functioning. Because non-resident students pay more, CU puts significant effort into recruiting them. They also [lobby the CO state government](#) to allow them to admit ever-higher ratios of non-resident students.

In fiscal year 2000, non-resident students made up 22.67% of CU's FTE students. By 2020, non-residents made up 29.97% of CU's FTE students.

Figure 5: CU (all campuses) Total FTE Students (Residents to Non-Residents)

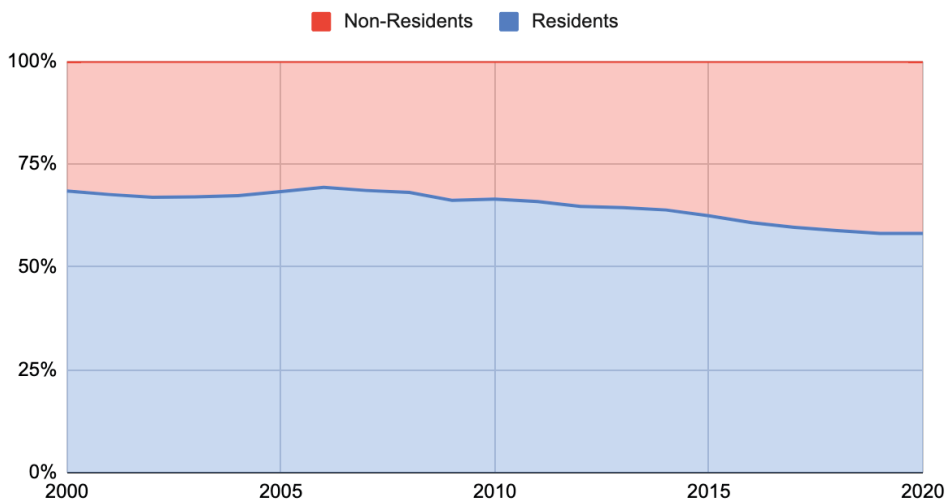
Source: [Colorado Department of Higher Education](#)



This trend is even more visible at CU's flagship institution in Boulder, where non-resident students went from 31.53% to 41.84% of FTE students over the same time period. These numbers include both undergraduate and graduate students, as do the all-campus numbers above.

Figure 6: CU Boulder FTE Students (Residents to Non-Residents)

Source: [Colorado Department of Higher Education](#)

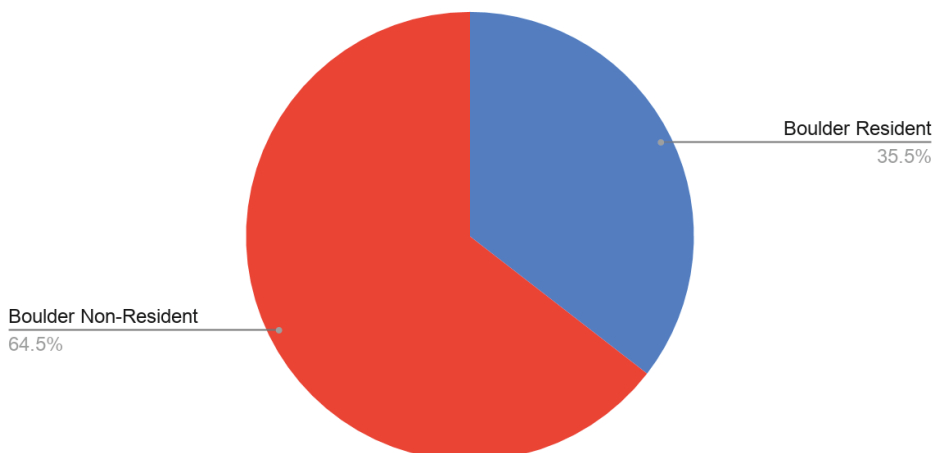


Even when resident students make up a majority of enrolled students, non-resident students are paying a larger share of total tuition and fees. They are also more likely to pay for auxiliary services like housing and dining. For the [2018-19 academic year](#) at CU Boulder, for instance, resident students made up 57.71% of the undergraduate student body, but paid only 35.5% of tuition and fees revenue. Non-residents are also more likely to come from wealthier family backgrounds and to be able to pay full tuition and fees without aid. In the [2017-18 academic year](#), 53% of resident students either did not submit a FAFSA or demonstrated no financial need compared to 78% of non-residents.

Figure 7: CU Boulder FTE Students (Residents to Non-Residents)

Source: [IPEDS data](#) and Annual Financial Information and Operating Data from [EMMA](#)

2018-2019 Total Undergraduate Tuition and Mandatory Fees, CU Boulder



While it is understandable that CU recruits non-resident students since their operations are so reliant on non-resident tuition, this trend does seem to be motivated by financial factors rather than the university's educational mission. If state support was more substantial, CU would be able to focus more energy on providing quality, affordable education to Colorado students.

As we see further in this report, CU has also spent a significant amount of money in the last two decades on capital construction, financed mainly by debt and tuition revenues rather than state appropriations. This capital construction was frequently aimed at recruiting more high-paying non-resident students to come to CU campuses. In this sense, focusing on Colorado students would also lower CU's expenses. It's a bit of a catch-22, but the crux of this matter is that low state funding is driving CU to seek out revenue from other sources. In the process, students begin to be seen as sources of revenue – customers – rather than young people seeking an education. This is a huge shift in the purpose and drive of public higher education.



CU Workers

The University of Colorado system employs about [37,000 people](#), including both full-time and part-time workers, making it one of the largest employers in Colorado. According to 2019 IPEDS data, **1,626 of these employees are tenured professors, 2,456 were on tenure-track, and 2,513 were non-tenure-track teaching faculty.** Of this total, **3,666 are graduate assistants who help make the teaching mission of the university possible without getting paid a living wage.** The remainder of workers employed by CU are researchers, administrators, staff, student employees, hourly and contract employees, and others.

Union-represented faculty and staff are central to the university's mission of teaching, research, and public service. They teach classes, grade papers and exams, advise, house, and feed students, take care of CU's buildings and

grounds, manage university communications, plan student events, etc. CU makes some [salary data](#) publicly available. Our salary analysis is based on this publicly available data. An important caveat is that many of CU’s lowest paid workers – hourly and contract workers and graduate and undergraduate student workers – are excluded from this data. **While the lowest-paid 8.5% of full-time workers at CU make less than a living wage, the vast majority of (if not all) hourly and student workers also make less than a living wage.** In 2019, for instance, there were 3,666 graduate assistants employed at CU. Most – 2,618 – were at CU Boulder. The university would not function without their critical teaching and research work, but the pay they earn does not reflect the value they provide.

According to September 2019 data, **the highest paid 1% of employees at CU earned, on average, 15 times the average salary earned by the lowest paid 10% of full-time workers.**

Table 2: Salaries of full-time CU workers by deciles

Source: [CU salary data](#) from Sept 2019, total sample size 18,555 – we believe this includes all full-time CU workers.

Decile		Average Salary
1	Lowest paid 10% of workers (count: 1855)	\$35,043.56
2		\$46,325.91
3		\$52,486.24
4		\$59,500.59
5		\$67,951.44
6		\$79,000.56
7		\$93,513.12
8		\$111,313.44
9		\$149,463.11
10	Highest paid 10% of workers (count: 1855)	\$283,827.85
	Highest paid 1% of workers (count: 186)	\$532,342.44

To put these numbers in perspective, let us look at CU’s salary numbers in relation to public assistance available to low-income families in Colorado. 720 full-time workers (3.9% of full-time workers at CU) are paid less than \$34,450 annually – the income threshold for assistance from the Colorado Food Assistance Program for a family of four. And 4,639 workers – 25% of CU’s full-time workforce – make less than \$52,416, the household income threshold for receiving federal assistance through the Supplemental Nutrition Assistance Program (SNAP) for a family of four in Colorado.

Cost of Living

In Spring 2021, UCW Colorado members undertook research to determine the cost of living in the areas where CU campuses are located. We created these estimates using the [MIT Living Wage](#) Calculator and other resources. These numbers include food, childcare (for household categories with children), medical costs, housing, transportation, personal debt service, civic activities, taxes, and other expenses (like clothing, personal care items, and housekeeping supplies). A full description of included costs is [available here](#).

We compared these numbers against [CU's September 2019 salary data set](#), de-duplicated by employee ID and looking only at full-time workers (who had either one 100% appointment or multiple part-time appointments that added up to 100% or more). It is important to note that the numbers below leave several important groups out – graduate assistants, part-time faculty and staff, hourly workers, and workers on a contract who were not included in the data set. These are some of the workers most likely to make below a living wage, but the data we had available was not complete enough to include them in our analysis.

The results were not what we hoped to see: **8.5% of full-time workers at CU earn [less than a living wage](#) for a single adult living alone in the county in which they work. More than 70% of full-time workers do not earn enough to provide a living wage for a family of four.** As public employees working full-time, all these workers should be earning a living wage that allows them to successfully address their cost of living and comfortably provide for their families.



Below is a chart with the full results of our cost of living research.

Table 3: Cost of living categories and CU employees who meet those thresholds

Source: [UCW Colorado research](#) from salary data and other sources

Expense category	1 Adult	1 Adult + 1 Child	1 Adult + 2 Children	2 Adults (1 Working)	2 Adults (1 Working) + 1 Child	2 Adults (1 working) + 2 Children	2 Adults (Both Working)	2 Adults (Both Working) + 1 Child	2 Adults (Both Working) + 2 Children
Required Annual Income Before Taxes: Boulder County	\$40,375	\$79,459	\$100,285	\$59,161	\$84,023	\$105,074	\$63,325	\$89,911	\$111,687
FT Workers making less than this amount: CU Boulder	846	4654	5873	2848	4968	6109	383	1130	2518
Required Annual Income Before Taxes: Denver-Aurora-Lakewood	\$40,365	\$79,364	\$98,706	\$60,387	\$83,071	\$101,858	\$62,399	\$89,742	\$111,035
FT Workers making less than this amount: UCD, Anschutz, UCD Admin, and System workers	648	4773	5880	3149	5008	6075	49	1051	2572
Required Annual Income Before Taxes: El Paso County	\$34,897	\$70,652	\$87,548	\$55,037	\$74,814	\$91,609	\$59,201	\$81,030	\$99,877
FT Workers making less than this amount: UCCS	86	737	928	475	788	956	43	140	335
Total making less than enough to support this category, all campuses	1580	10164	12681	6472	10764	13140	475	2321	5425
% below threshold, all campuses (full sample: 18,555)	8.52%	54.78%	68.34%	34.88%	58.01%	70.82%	2.56%	12.51%	29.24%

University Budget

When CU administrators talk about the university system's budget, they tend to talk about operating/non-operating revenues and expenses. It might sound like that should encompass all revenues and expenses, but it does not. Investment and capital revenues/expenses make up a significant proportion of CU's financial transactions, but these are left out of most CU budget presentations.

One reason for this is that most investment and capital transactions occur at the system level, while the campus level is where most budgeting happens. Because campuses seemingly do not have their own investment portfolios and do not issue debt on an individual campus basis, these budget areas are generally ignored when budget adjustments are being considered and proposed. They are treated as inviolable, unable to be touched.

They are not.

Investments can mature or be sold, and not paying debt is an option that should be considered when budgets are tight. We are not able to identify who holds all of CU's debt, but we know that companies like [Goldman Sachs](#), [T. Rowe Price](#), [J.P. Morgan](#), [Vanguard](#), and [BlackRock](#) all hold significant amounts – tens, maybe hundreds, of millions of dollars' worth. CU prioritizes paying these huge corporations over paying their workers and providing a quality education to students. These obligations are considered more important than the obligations CU holds to its employees, students, and community.

As mentioned earlier, CU recruits non-resident students primarily as a way of boosting tuition revenues. In order to bring these students to campus, CU believes it needs to invest in capital construction – building new, state-of-the-art facilities, residence halls, dining centers, and academic buildings, even a recreation center outdoor pool. While tuition and student fees increase – for both resident and non-resident students – and staff and faculty wages stagnate, CU has prioritized these debt-funded campus construction projects.

Traditional Budget Measures

According to traditional financial markers like net position, CU is in a strong, healthy financial position. Due to a lack of state funding, though, CU is becoming uncomfortably reliant on private financing and out-of-state tuition revenues. Increasingly, budget cuts like employee layoffs and furloughs, increased class sizes, replacement of tenured faculty with non-tenured lecturers and instructors, and putting off purchases of essential educational resources and technology have been made in order to make room in the budget for debt service and investment portfolio obligations. CU has also focused more and more over time on their investment portfolio and other



markers that are prized by credit rating agencies but irrelevant to their mission as an institution of public higher education.

CU [defines net position](#) as “assets plus deferred outflows less liabilities (essentially, the difference between resources and claims against those resources). Net position can either be positive (usually a good thing) or negative (probably a bad thing).” In financial reporting, it is frequently used as a measure of financial health. Below is a chart of CU’s net position over the last five fiscal years. It has consistently been positive, with FY20 actually the strongest net position in the last five years. At its lowest, CU’s net position was \$1.65 billion in FY18. At its highest in FY20, it was \$2.66 billion. These numbers are seen by credit rating agencies and lenders as markers of strength.

Figure 8: CU Total Net Position, FY16-20

Source: University of Colorado Annual Financial Reports, 2016-2020

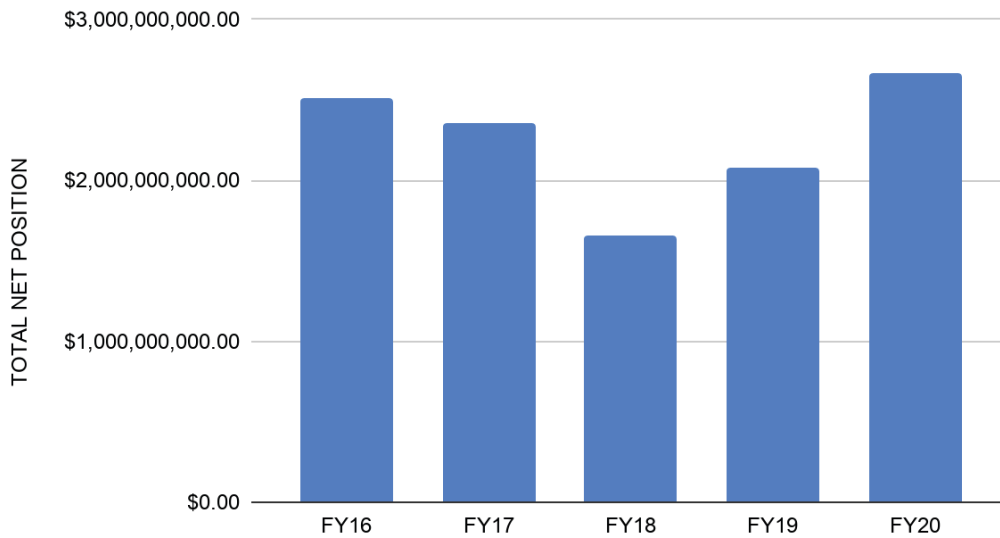
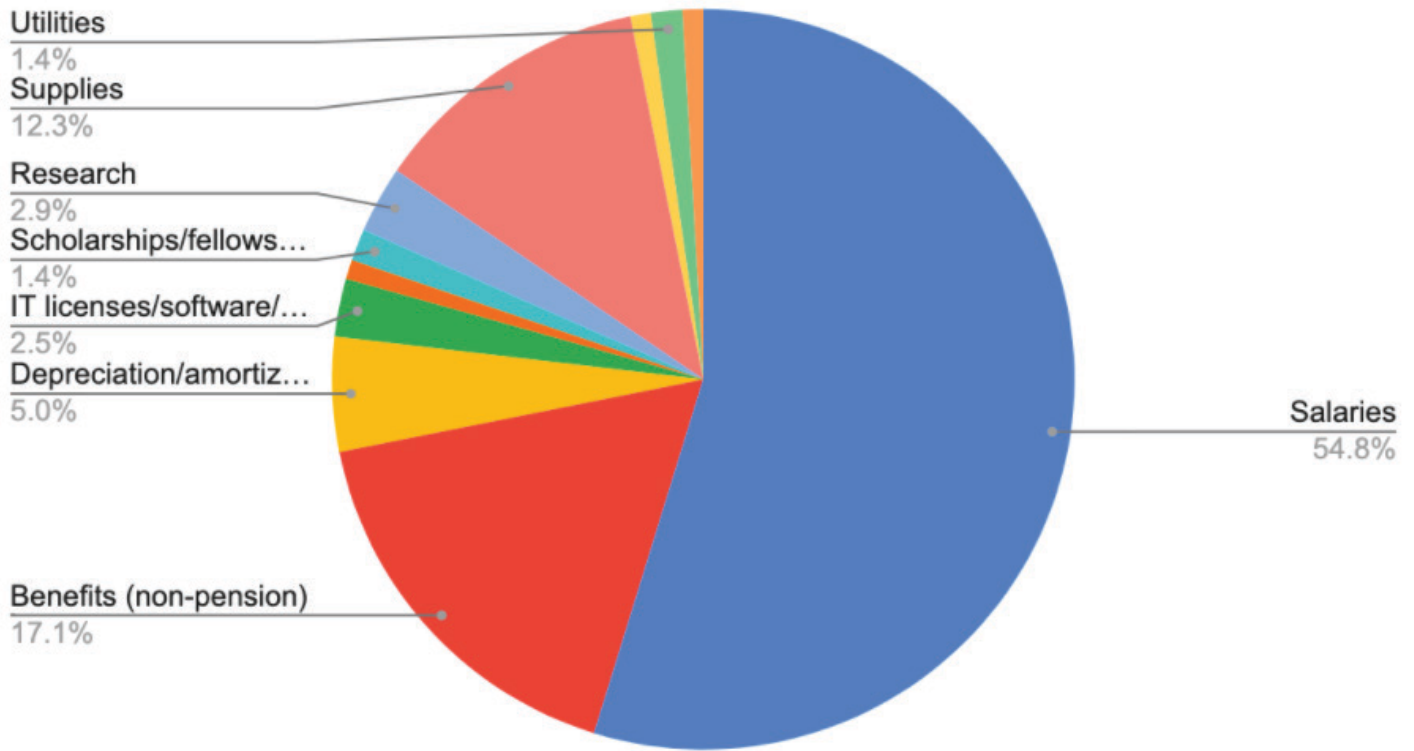


Figure 9: FY20 CU Operating Expenses

Source: [University of Colorado Annual Financial Report, June 30, 2020 and 2019](#)



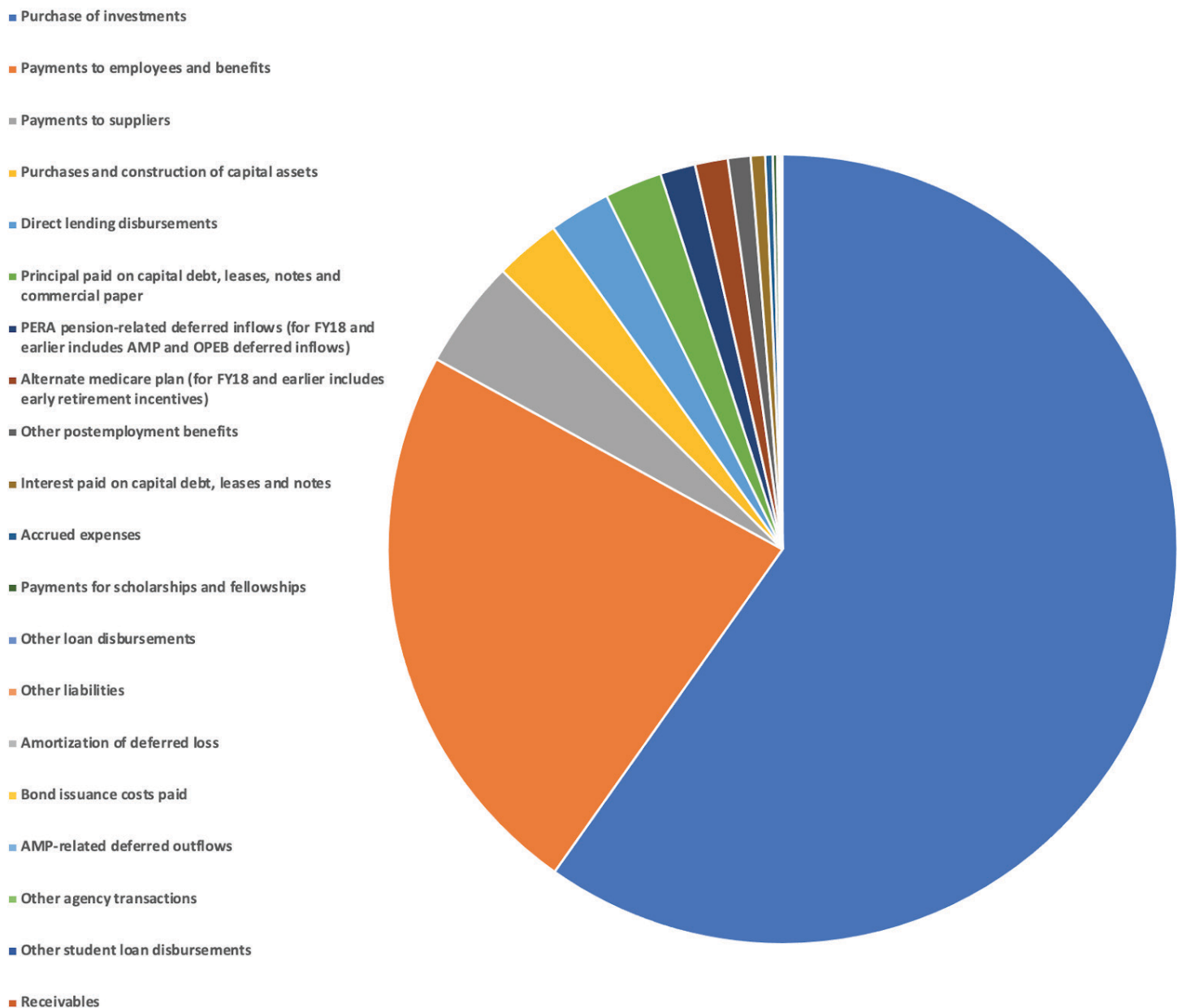
Charts like this are used to show why budget cuts must necessarily involve workers' pay – salaries and benefits make up a huge majority of CU's operating expenses. Where else would money come from?

But operating expenses are not the only way to view CU's finances. If we look at CU's cash flows rather than operating or non-operating expenses, which only show part of CU's finances, we see a very different picture.

Below is a pie chart of CU’s cash outflows in FY20. While salaries and benefits still make up a large piece of the pie, more than half the chart is taken over by “purchases of investments.” In FY20, [CU brought in \\$8,917,414,000](#) in proceeds from sales and maturities of investments. During the same period, as shown in the chart below, CU spent \$9,121,430,000 on purchasing investments. **In other words, in FY20, at the same time CU was making approximately \$250 million in budget cuts in the wake of the COVID-19 pandemic, it spent \$204 million more on purchasing investments than it made in investment sales and maturities.** It is unclear why this choice of purchasing investments was made, rather than the more obvious choice – to use this money to cover part of the 2020 budget shortfalls.

Figure 10: CU Cash Outflows 2020

Source: [University of Colorado Annual Financial Report, June 30, 2020 & 2019](#)

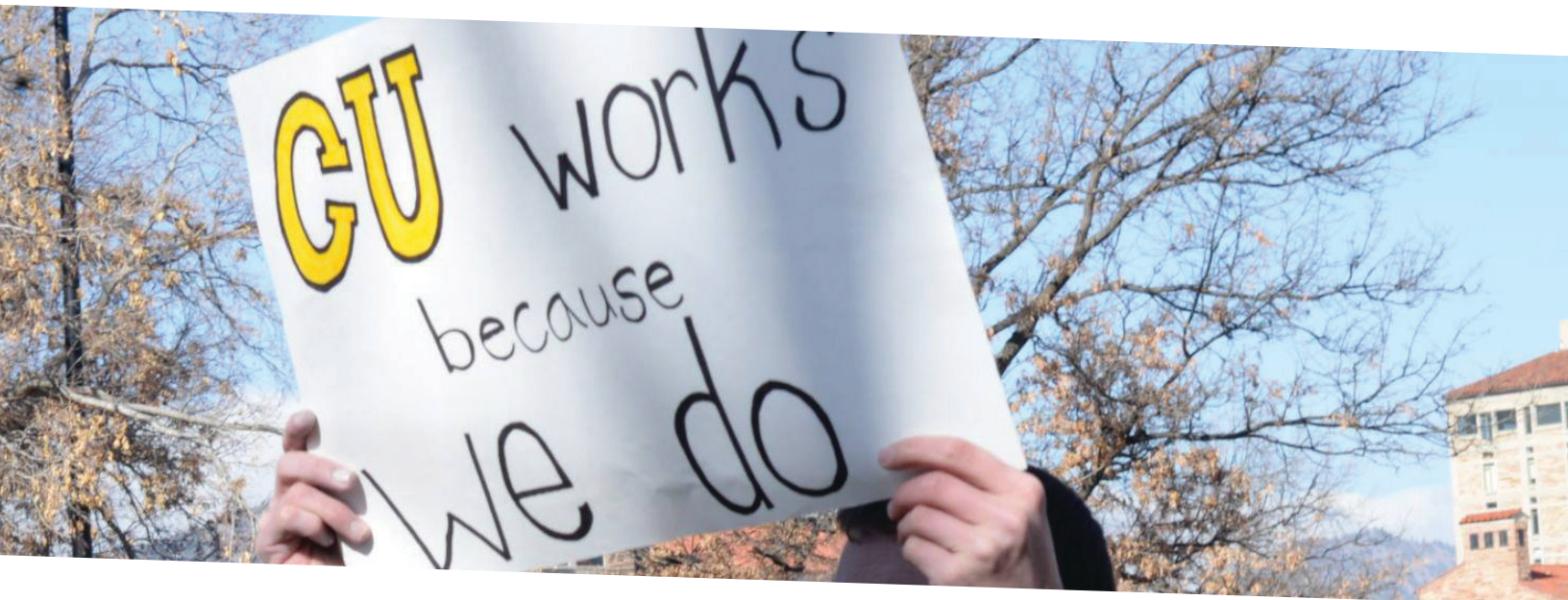


In a [November 12, 2020 presentation](#) to the Board of Regents by CU VP Todd Saliman, he discussed why spending of university reserves to offset COVID-19 budget impacts was limited (\$24 million from Boulder's reserves, \$10.2 million from UCCS's, \$8 million from Denver's, and \$6.2 million from Anschutz's) and sales of investments were not considered options for budget balancing in 2020. "Moody's and Fitch have noted: 'that weakening of financial reserves and erosion of liquidity could lead to a downgrade,'" his presentation said, claiming that this fear of downgraded credit ratings logically made these funds relatively untouchable. In the same meeting, CU Treasurer Dan Wilson called [CU's 11% return on investments](#) in the last year "spectacular," without considering whether those earnings could be used to avoid severe impacts to workers like furloughs, salary reductions, and other budget cuts.

University Debt

Since 2001, CU has taken out at least \$3.33 billion in bond debt principal. That amount does not include the interest that must be paid on those bonds or any bond issuance fees. It also does not include other forms of debt, such as commercial paper, capital leases, or notes payable. In FY20 alone, CU issued more than \$500 million in new bond debt. **While that new debt went to pay for new capital construction and refinance older debt, CU made approximately \$250 million in budget cuts to salaries and educational resources.** These cuts deeply impact the quality of education CU is able to provide to its students and CU's ability to provide a living wage to its employees.

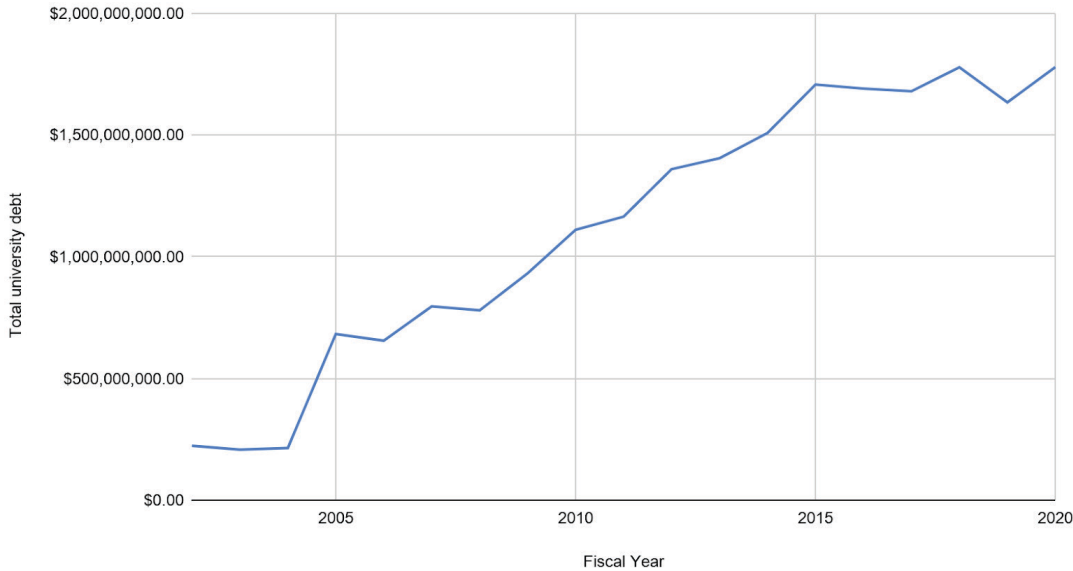
While tuition and student fees increase and staff and faculty wages stagnate, CU prioritizes debt-funded campus construction projects. Part of the theory behind this is that new buildings and facilities will attract full-tuition-paying students, mostly from outside Colorado, who are looked at as CU's most highly-valued customers.



In the chart below, the annual balance of CU’s unpaid long-term debt is depicted. This is not the full amount of debt CU has taken out, but rather the balance left each year after annual debt service payments. While it varies somewhat year over year, the trend towards growth of overall remaining debt is clear.

Figure 11: CU Long-Term Debt Over Time

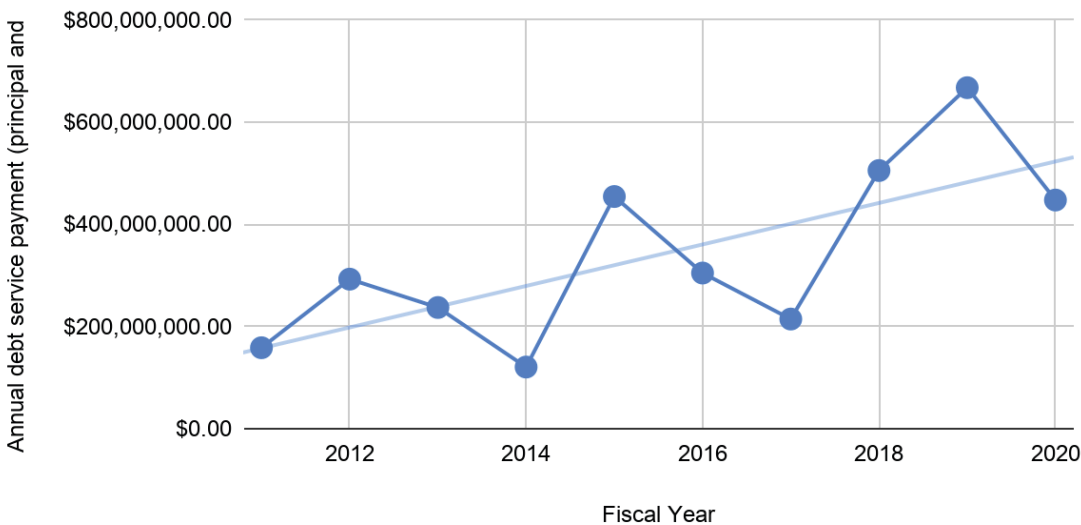
Source: University of Colorado Annual Financial Reports and IPEDS Data



The same is true of annual debt service payments. As shown in the chart below, annual debt service payments vary significantly from year to year, but the overall trend is that the annual debt service payment is growing.

Figure 12: Annual debt service payment, 2011-2020

Source: University of Colorado Annual Financial Reports and IPEDS Data



There are many documents that give the CU Board of Regents the legal authority to issue debt in the form of bonds (as well as other forms, like the recent approval to explore procuring a [\\$100 million private line of credit](#)). These documents vary slightly in the terms of indenture – the terms by which the university is obligated to repay its debt – and each bond series has its own purpose as far as what the money is intended for. As an example, let’s evaluate the [official statement for CU’s 2021A and 2021B Bond Series](#), the two series most recently issued. Together, these series of bonds amount to \$71,115,000, part of which (\$26.6 million) is in the form of green tax-exempt bonds and the rest of which is in the form of taxable bonds.

The official statement describes the purpose of these bonds:

Proceeds of the Series 2021A Bonds will be used for the purposes of (a) financing the Series 2021A Improvement Project, as further described herein; and (b) paying certain costs relating to the issuance of the Series 2021A Bonds. Proceeds of the Series 2021B Bonds will be used for the purposes of (a) financing the Series 2021B Refunding Project, as further described herein; and (b) paying certain costs relating to the issuance of the Series 2021B Bonds.

To clarify, these bonds will be used to finance capital construction (“renovation of two buildings at the University’s Engineering Center on its Boulder campus,” as stated later in the document), to pay bond issuance costs, and to refund or defease principal and interest on older bonds, issued 2011-2014.

The rate covenant (on page 19 of the official statement) states that, as long as CU has any outstanding bonds, CU

will continue to impose such fees as are included within the Gross Revenues and will continue the present operation and use of the University Enterprise, the Facilities and Research Facilities, and will cause to be established and maintained such reasonable fees, rental rates and other charges for the use of all Facilities and Research Facilities and for services rendered by the University Enterprise as will return annually Gross Revenues sufficient to (a) pay the annual Operation and Maintenance Expenses; (b) pay the annual Debt Service Requirements of the Bonds and any Parity Obligations payable from Net Revenues; (c) make any deposits required to the Reserve Fund; and (d) pay the annual Debt Service Requirements of any obligations payable from Net Revenues (in addition to the Bonds and any Parity Obligations).

To clarify, since the language of these documents frequently requires translation, **CU has legally obligated itself to charge tuition and fees that raise enough revenue not only to provide its students with an education, but that also cover debt service and save money to the Reserve Fund. That obligation stands for the indefinite future, for as long as CU has outstanding bond debt.**

This is similar to rate covenants or terms of indenture in other bond series' official statements. Still, when CU administrators present capital construction plans to the Board of Regents that rely on debt financing, they uniformly claim that these projects "[will not impact student tuition and will not utilize revenue from student fees.](#)" This is clearly untrue by the terms of CU's own legal agreements.

Similar to the 2021A and 2021B series, CU has taken out bond debt in past years to finance many capital construction projects, including the Lynx Crossing housing project at Denver (2019C), the Hybl Sports Medicine and Performance Center at Colorado Springs (2018B), expansion of the Euclid Autopark and Campus Athletic Facilities at Boulder (2014A), and the Bioscience II Building at Anschutz (2013B). New bonds are also routinely used to repay old debt, like previous bonds and commercial paper obligations.

While there is nothing wrong with capital construction in theory (we all want to see improved, state-of-the-art campuses for our students), the way in which these projects have been financed is objectionable. CU is a public university and, as such, construction projects should be funded through the state's [capital construction project](#) request process. These requests do not result in debt to the extent bond-funded projects do, and also require multiple levels of approval. Projects approved by the state must meet a demonstrated need and be a high priority for both the institution and the state. This is how construction at Colorado's institutions of public higher education is intended to work.

But the state's capital construction fund is underfunded. Projects frequently wait many years for approval, even when they are high priority. Colorado must improve this process and the funding for it if we are to achieve public higher education in this state that lives up to its mission. And CU's administration needs to be able to rely on these funds rather than private debt financing. This means they may need to wait longer to have capital construction projects underway.

We also want to draw a line between new capital construction and deferred maintenance. These are very different things and CU is far behind where it needs to be with deferred maintenance – [approximately \\$1.5 billion behind.](#) These deferred maintenance projects need to be completed, but they also tend not to be financed with debt in the same way new construction is.

That said, taking out new debt to finance old debt, which is what the purpose of the majority of CU's bond series have been, is not a sustainable practice. Interest payments continue to grow and make up a large share of debt service. UCW Colorado's analysis shows that CU will pay approximately \$333 million in debt service on bonds only in fiscal year 2021, \$183 million in principal and \$150 million in interest (not including bonds refunded or defeased by new 2021 debt). This is not sustainable.



Conclusion

The COVID-19 pandemic has affected all of us in a myriad of different ways. Resulting budget cuts have had a deep, and likely lasting, impact on public education. As CU goes forward with FY22 budget planning, we want to bring light to these major budget issues while emphasizing the misplaced priorities in CU's budget planning and related decision-making processes. CU's budget decisions highlight a tuition-driven "business model" that has de facto privatized public education to the detriment of employees and students. This approach is not in line with CU's mission to provide affordable public higher education to the residents of Colorado.

We also want to highlight that CU needs a more democratic, transparent, accountable, worker-led, student-centered, public mission-driven budget process. Published financial data from a public educational institution should be transparent and comprehensive, rather than opaque with gaping holes. If we want a budget that values – and reflects the values of – CU's students and workers, they must have real decision-making power in budget decisions.

Our aim is to have the opportunity to work with CU in the future to improve budget processes and the transparency of financial decision-making. We are CU workers and we believe deeply in the power and value of public higher education as a public good. We want CU to live up to that mission. By offering clarity on these budget decisions, our intent is to help CU move in the best possible direction.

In the meantime, we will continue researching CU's budget and welcome any feedback on this report.

Research Notes

This report looks at the University of Colorado system and its campuses: Boulder, Denver, Colorado Springs, and the Anschutz Medical Campus. The analysis draws on information from the university's financial reports and supplemental materials, publicly available financial information from sources like [EMMA](#) and [TOPS](#), university staff and faculty reporting, and the CU Board of Regents' [public meeting documents and agendas](#). Other educational data was found in [IPEDS](#) and [SHEEO](#) reporting. Cost of living research was sourced from the [MIT Living Wage Calculator](#), various local, state, and federal agencies, and foundations that track average utility rates and usage. Other public data sources were used as well and are linked within this report when referenced.

We recognize that there is far more work to be done and we have not even come close to evaluating all of CU's public data, not to mention data they have chosen to not make public. This is an ongoing research project and we invite any feedback or ideas for other areas of research or sources to explore. Please contact us at info@ucwcolorado.org with any comments or questions. We consider this report "Part 1" of an ongoing project.

This report is the result of a project undertaken by [United Campus Workers Colorado](#) (UCWC or UCW-CWA 7799) to increase CU's budget transparency and accountability. Research and analysis was done by members across the CU employment spectrum – faculty, staff, graduate workers, undergraduate workers, and hourly employees. None of us have a background in finance, but we dedicated our free time over the last several months to gaining, and communicating to you, a better understanding of CU's finances. We are immensely proud of what our group has put together here.

UCW-CWA 7799 unites people in the University of Colorado's workforce – including part-time and full-time university staff, faculty, and graduate and undergraduate workers – to address the critical public issues we all face. Our mission is to champion and defend the interests and well-being of all University workforce, to advocate for public education as a public good, as well as to build and sustain social and economic justice in our workplaces and communities.