

If we don't get the temporary money, then we just don't get to spend it. But if we don't have enough continuing money, that's a big problem, because we are nevertheless obligated (often contractually) to pay for the continuing commitments. So then we're in a continuing budget deficit -- there's less in the College checkbook than there are unavoidable expenses to pay.

3. What do we do when we're in continuing deficit? Our only recourse is to ***borrow temporary money*** and use it for the continuing deficit. But there are three problems with this. First, that temporary money also pays for things like lecturers we need for staffing year-to-year extra teaching needs, so a deficit cuts into our ability to do that. Secondly, we *have* to pay some lecturers, because students are sitting in the classroom, waiting for a teacher, so ***we end up with a deficit in temporary funds***, that we have to repay eventually. And finally, the continuing deficit is there every single year, until enough TT faculty, instructors or students leave their contracted positions and we're no longer obligated to pay them, so ***the temporary funds deficit will pile up higher and higher every year deficit in continuing funds.***

4. Why are we in this situation? The ***state cut its funding of higher education last year*** due to the economic downturn (this is a major source of continuing funds for our general operating budget). Due to the TABOR law passed by voters in Colorado, the state cannot simply ramp its spending back up to the previous year when the economy improves -- there is a "ratchet" effect which limits to increase to population growth plus inflation, based on the *new baseline* of last year's recession-era budget.

In addition, meaning much less tuition money (the single most important source of continuing funds). Because our freshmen live on campus, ***our new enrollments this year by large percentages*** to make up for the major decline in freshmen that occurred last year -- we don't have the hard infrastructure to be able to do that. So we're stuck with a permanently smaller-than-normal 2020

continuing budget from the campus. In the meantime we are effectively in ***a faculty hiring freeze.***

We know for sure that major new funds are not coming to us this year, though there has been some increase in funds and thus continuing budget (\$19m campuswide this year). Because the continuing deficit is relatively small at 0.5%, we expect to be out of this situation within the next year – but major new spending would then put us right back into continuing deficit. Longer term, we are hopeful that the Campus budget remodel will result in increased income to the College, since we teach a very large number of the students on campus, so should probably be getting back more tuition dollars. But that won't kick in fully until 2023-24 at the earliest.

6.Can we borrow money (from a bank for example) to cover the deficit? No, Regents Rules allow this only for the overall campus or system, not an individual campus unit such as A&S, and it's generally a poor idea for any non-profit to borrow to cover deficits.

7.Can we tap the endowment to cover the deficit? No, the funds generated by the endowment every year are already committed to specific spending – there is no “slush fund” of money available ever year. As far as spending down the principle, that is a fundamental no-no of non

research facilities, and another \$27m went to cover future construction, acquisitions and deferred maintenance of research facilities.

9.Can we quickly grow our way out of this with new enrollment? A big part of the budgeting process involves mid-term planning. Although predicting the future is a notoriously error-prone endeavor, ***a number of demographic trends suggest***

10. Is the College getting enough tuition money back from campus? Currently

12. What's the mid-term to long-term solution to these budget constraints? It seems highly unlikely that A&S can quickly replace the majority of the faculty who have recently retired. While some renewed hiring of TT faculty or instructors can hopefully occur beginning in FY 2022-23, no one should expect that a large portion of the retired faculty can be replaced even over the next 5 years. If they were in fact to be replaced, this would put us in a very rigid budget position for the future as well. We were able to achieve the 3.4% permanent cut last year thanks to a once-in-a-generation retirement of large numbers of senior faculty. Those numbers of older faculty will not build up again for at least another decade. Additional cuts in the mid-term could well force us to cut entire programs (i.e. departments). Thus the ASC Budget Committee recommends caution in moving too quickly in rehiring or other new investments.