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# **Furlough and Finance at UArizona in the Wake of Covid-19: Follow-Up Report**

**Presented by the General Faculty  
Financial Advisory Committee  
(GFFAC)**



# With Input From

- **Ravneet Chadha**, Executive Director of University Analytics & Institutional Research
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- **Susan Wiedemer**, Pennsylvania State University Assistant Controller
- **Faculty Senate**

[\\*Financial Sustainability Emergency Response Task Force Teams](#)

# GFFAC Members

- **Brian Berrellez** - SPBAC/APAC/Staff (CALs)
- **Scott Cederburg** – Faculty (Eller)
- **Ravi Goyal** – Senator/Faculty (CALs)
- **Ron Hammer** – Senator/Faculty (CoM-P)
- **Mona Hymel** – Senator/Faculty (Law)
- **Marcia Klotz** – CAJUA/Faculty (SBS)
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- **Jessica Summers** – CoF/Faculty (CoEd)
- **Russ Toomey** – CAJUA/Faculty (CALs)
- **Mayela Trevino** - Staff (CoEd)

# GFFAC TIMELINE

**Furlough Plan Announced**

- General Assembly Votes to delay furlough until September
- Furlough is delayed until August 10

JUNE

- GFFAC is formed
- GFFAC presents at Senate
- GFFAC submits report to administration

JULY

AUGUST

- GFFAC attends SPBAC meetings
- Furlough continues as planned by administration
- ABOR allows for universities to pursue line of credit

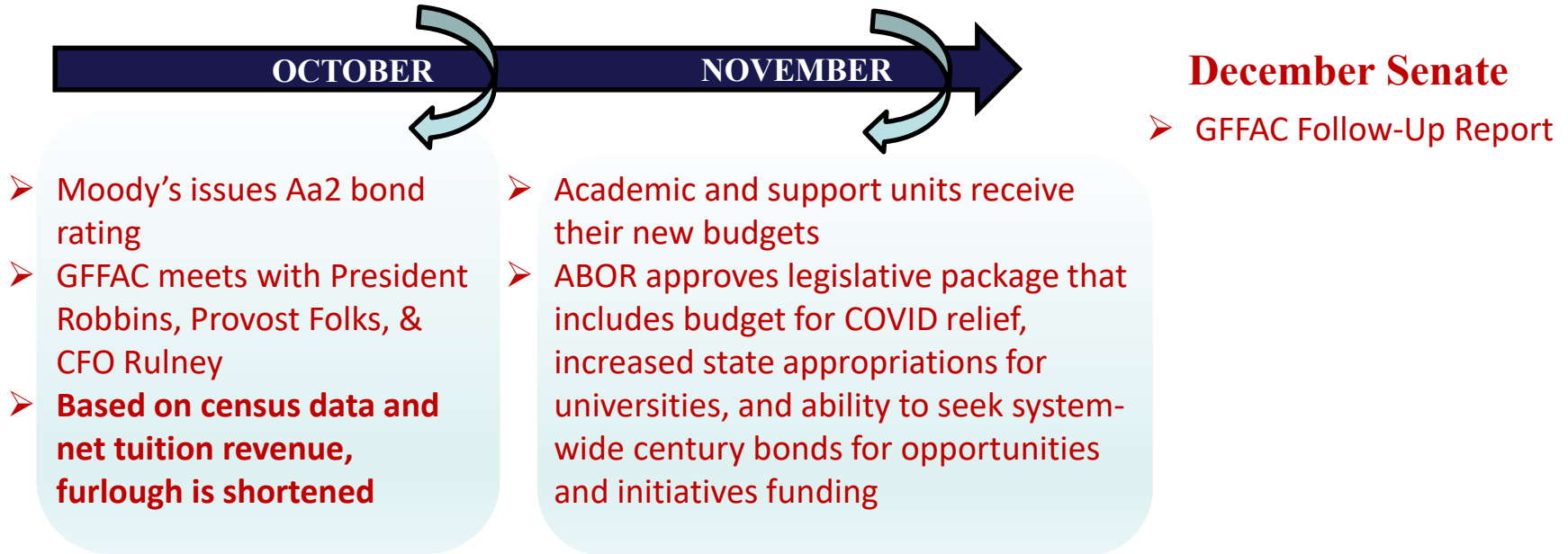
- GFFAC plans additional meetings with FSERT
- Fall census reports enrollment
- Contract renewals are issued reflecting reduced salaries

SEPTEMBER

OCTOBER

**Furlough Plan Adjusted**

# GFFAC: Where are we now?



# Presentation Overview/Outline

- **Reflection of Covid-19 Impact on Reactionary Budgeting in FY21**
- **Outlook for Cautionary Budgeting in FY22**
- **Strategic Budgeting and Finance Recommendations Moving Forward**
- **Update on Shared Governance**

# How Budgetary Decisions in FY21 Can Inform Better Practices FY22 and Beyond

## FY21 Reactionary Budgeting

- Adjustments pre-Covid based on tuition discounting exposes the University to radical shortfalls that cannot be anticipated or mitigated without serious disruption to our operations.
- Financial mitigation strategies during Covid focus on maintaining cash-on-hand by using estimated projections and drawing money primarily from employee salaries.
- With the shortening of the furlough, many colleges and academic support units are being required to use existing reserves and/or borrow money from other units to cover deficits, thus having the following effects:
  - ✓ Reducing university cash on hand
  - ✓ Limiting units' ability to invest in academic programming for current/future students
  - ✓ Forcing some units to consider employee layoffs in FY21 and FY22
- Quick decisions left major stakeholders (including shared governance) out of the conversation.

# Actual Tuition Loss: ~\$55M (40% improvement)

updated 10/9/20 - Estimated Impacts Resulting from COVID-19 Crisis

University of Arizona

Description		Actuals	Projected COVID IMPACTS	
		FY20 (3 mos)	FY21 (12 mos)	Total (15 mos)
<b>Revenue</b>				
<b>Tuition and Fee Revenue (NET)</b>				
	In-State Students		-\$6,600,000	<b>-\$6,600,000</b>
	Out of State - Domestic Students		-\$24,900,000	<b>-\$24,900,000</b>
	Out of State - International Students		-\$21,600,000	<b>-\$21,600,000</b>
	Arizona Online		\$20,000,000	\$20,000,000
	All Other Tuition and Fees	-\$7,894,000	-\$3,600,000	-\$11,494,000



# October: Projected Loss

updated 10/9/20 - Estimated Impacts Resulting from COVID-19 Crisis  
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All Other Tuition and Fees	-\$7,894,000	-\$3,600,000	-\$11,494,000
Investment Income	-\$17,165,000	-\$17,493,000	-\$34,658,000
Philanthropy		-\$8,383,000	-\$8,383,000
Auxilliary Revenues: Housing, Student Union, Bookstores, Parking, Campus Health, and Campus Recreation	-\$15,223,000	-\$68,727,000	-\$83,950,000
Intercollegiate Athletics		-\$48,900,000	-\$48,900,000
Facilities and Administrative Cost Recovery		\$0	\$0
Department Sales & Service and Conferences		-\$5,800,000	-\$5,800,000
<b>Estimated Revenue Impact</b>	<b>-\$40,282,000</b>	<b>-\$186,003,000</b>	<b>-\$226,285,000</b>
<b>Expenses</b>			
Increased costs for online support for students, faculty, and staff COVID Protection Measures	-\$1,497,000	-\$20,000,000	-\$21,497,000
<b>Estimated Expenses Impact</b>	<b>-\$1,497,000</b>	<b>-\$20,000,000</b>	<b>-\$21,497,000</b>
<b>Total Projected COVID-19 Financial Impact</b>	<b>-\$41,779,000</b>	<b>-\$206,003,000</b>	<b>-\$247,782,000</b>

# Revised Budget Still Leaves a Deficit

- Total enrollment numbers are up
- But, total revenue is down year-over-year due to the composition of types of tuition being paid by students

Total enrollment for last 10 years:

	Fall 2011	Fall 2012	Fall 2013	Fall 2014	Fall 2015	Fall 2016	Fall 2017	Fall 2018	Fall 2019	Fall 2020
Undergraduate Students	30,665	31,565	31,670	32,987	33,732	34,072	35,123	35,233	35,801	36,503
Graduate Students	7,083	7,162	7,443	7,720	7,817	7,946	8,106	8,334	8,423	8,585
First Professional Students	1,488	1,496	1,508	1,529	1,539	1,607	1,602	1,650	1,694	1,844
<b>Total</b>	<b>39,236</b>	<b>40,223</b>	<b>40,621</b>	<b>42,236</b>	<b>43,088</b>	<b>43,625</b>	<b>44,831</b>	<b>45,217</b>	<b>45,918</b>	<b>46,932</b>

# Source of Tuition Revenue

- Main Campus Undergraduate Enrollment Only

<b>First-Year Students</b>	<b>FY2020</b>	<b>FY2021</b>	<b>% change</b>
Resident	5,604	5,432	-3.1%
Non-Resident	3,147	2,749	-12.6%
International	499	153	-69.3%
<b>Total Students</b>			
<b>Total Students</b>	<b>FY2020</b>	<b>FY2021</b>	<b>% change</b>
Resident	20,364	20,158	-1.0%
Non-Resident	8,732	8,515	-2.5%
International	2,073	1,541	-25.7%

# Impact of Tuition Discounting

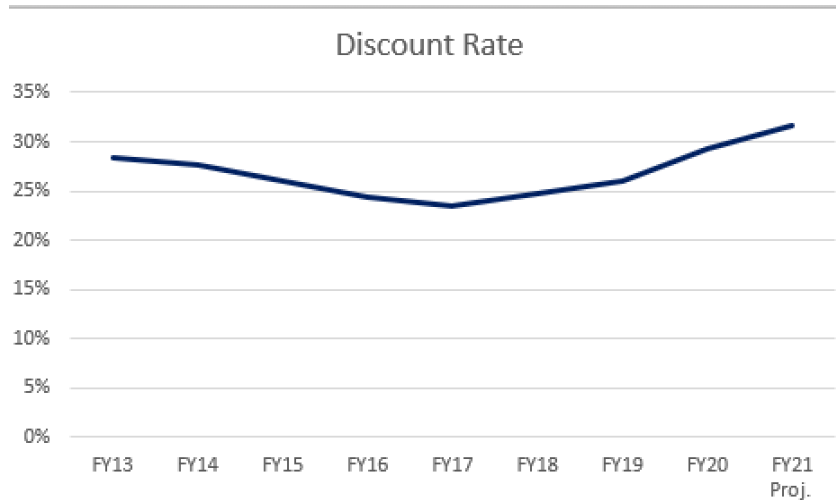
- These data represent tuition (not fees) for all undergraduate, main campus students enrolled and paid at fall census
- Institutional aid includes merit and needs-based aid
- Arizona Online revenue is NOT included in this NTR calculation

<b>Residency</b>	<b>Student Count</b>	<b>Tuition Revenue</b>	<b>Institutional Aid</b>	<b>Net Tuition Revenue</b>
Resident	20,158	\$103,751,132	\$59,112,546	\$44,638,586
Non-Resident	8,515	\$131,036,449	\$46,680,104	\$84,356,345
International	1,541	\$25,012,573	\$4,453,701	\$20,558,872

# History of Tuition Discounting

- Year-over-year data on revenue and tuition discounting

	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21 Proj.
<b>Revenues</b>														
Tuition & fees	327,051	377,354	469,086	537,436	586,932	644,756	670,322	749,413	805,144	854,294	867,563	890,558	911,407	911,300
Less Scholarship Allowance	(95,515)	(107,907)	(139,500)	(158,237)	(176,426)	(183,176)	(185,513)	(194,646)	(196,465)	(200,568)	(214,043)	(232,468)	(267,055)	(287,900)
Net Tuition and Fees	231,536	269,447	329,586	379,199	410,507	461,580	484,809	554,767	608,679	653,726	653,519	658,090	644,352	623,400
Discount	29%	29%	30%	29%	30%	28%	28%	26%	24%	23%	25%	26%	29%	32%



# Mitigation Will Not Cover FY21 Deficit

- Previous mitigation strategies:
  - ✓ Furlough/Flex program (\$55M); wage freeze (\$20M); hiring freeze; strategic plan halt (\$58M); postpone capital projects (\$22M), CARES act funding (\$15M)
  - ✓ All of the above are ONE TIME ONLY sources of cash – there will not be a furlough in FY22
- Updated mitigation strategies include:
  - ✓ **Refinancing:** UArizona has refinanced a bond payment due in December 2020, which allows for short-term access to \$19M that can be repaid later. At least half of this money will be designated for auxiliary relief
  - ✓ **Consultants:** Public Financial Management (PFM) has been appointed to evaluate the pros and cons of outsourcing auxiliaries at UArizona, starting with Facilities Management and the Bookstores
  - ✓ **State Relief:** ABOR will go to the legislature asking for up to \$75M for FY21

# How Budgetary Decisions in FY21 Can Inform Better Practices FY22 and Beyond

## FY22 Cautionary Budgeting

- ABOR intends to push legislation on the following issues:
  - ✓ Obtain an increase in UArizona state appropriated budget (FY21 = \$280M) for FY22 (additional \$110M)
  - ✓ Propose change to state statutes to include century bonds for innovative and strategic investments (not operational expenses)
- University of Arizona Leadership has decided not to apply for a line of credit (LOC) at this time for the following reasons:
  - ✓ Existing cash balances have been used to offset losses, and a LOC will only be considered if we run low on cash
  - ✓ ABOR members have discouraged Arizona Universities from using LOCs to pay for operating costs
  - ✓ No other Arizona state entity has applied for LOCs as a Covid-19 financial mitigation strategy
  - ✓ Obtaining and using LOCs to cover operational costs may affect UArizona's credit rating and/or relationship with state legislature
- When we talk about shrinking the University of Arizona, where are the cuts going to be made?

# How Budgetary Decisions in FY21 Can Inform Better Practices FY22 and Beyond

## FY22 ~~Cautionary~~ Strategic Budgeting

Other universities are actively using debt markets, including issuing bonds, issuing commercial paper, and using lines of credit to cover Covid-19 related costs. New lines of credit for COVID-related relief are being used at the following institutions (among others)

- **University of Michigan** has taken out three lines of credit for operating expenses at different repayment terms (2, 3, and 4 years)
- **Penn State University** has taken a \$250M line of credit for operating expenses with a three year repayment term
- **Indiana University** brokered a \$600M line of credit for operating expenses as a syndicate deal with JP Morgan with terms of one year repayment (refinancing will allow additional time for repayment flexibility)



# Recommendations: Short-Term Mitigation

1. Provide formal feedback to the university community on specific recommendations that were considered/not considered with accompanying rationale from the original GFFAC Report
2. Apply for a system-wide line of credit for all three Arizona universities to help University of Arizona with operating expenses and debt accrued by auxiliaries, or provide formal feedback on why this option wasn't chosen
3. Use supplemental relief from state legislature or Congress to cover academic and support unit losses due to decreases in NTR\* for FY21
4. Create a budget model for FY22 that optimizes employment retention with financial efficiencies

\*Net Tuition Revenue (NTR)

# Recommendations: Long-Term Mitigation

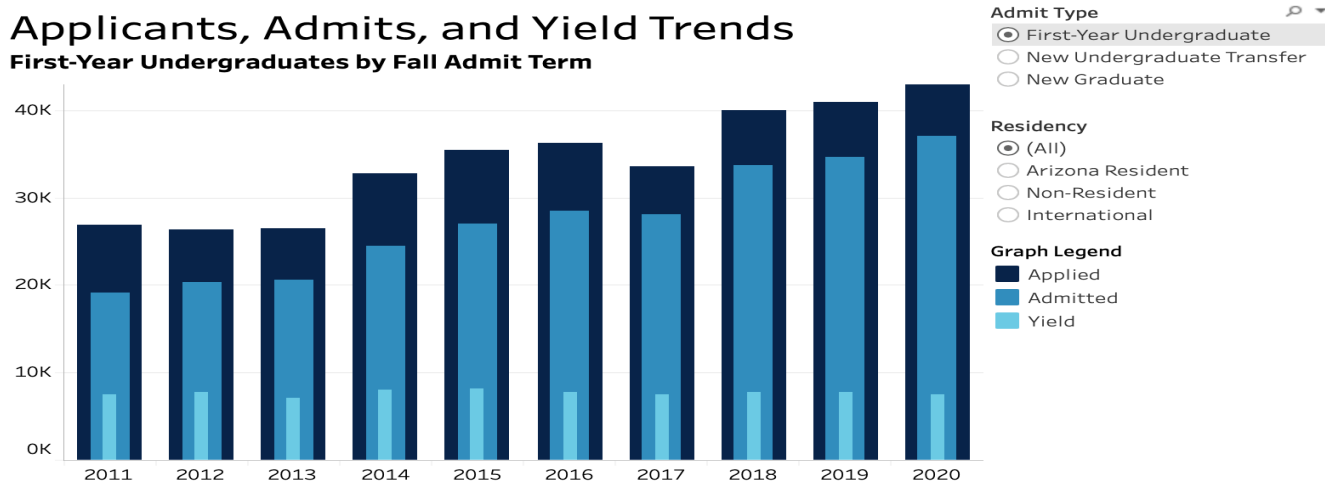
1. Modify/truncate tuition discounting models for future recruiting, and require admissions to include colleges as partners in strategic decision-making
2. Use land grant mission and academic reputation to recruit students; improved rankings could make admissions more competitive for Arizona students who are historically disadvantaged
3. Evaluate operational efficiencies and redundancies within and between units
4. Work with a variety of stakeholders and shared governance groups to reassess the value and restructuring of Responsibility Centered Management (RCM) and Activity Informed Budgeting (AIB)
5. Use furloughs, pay reduction, and employee layoffs as the LAST strategy for dealing with financial exigency rather than the FIRST; if a layoff program is established, a process for transparent and equitable performance evaluations needs to be in place beforehand

# Investment in Core Mission

- Application rates are currently climbing
- Demographic trends suggesting fewer future applicants ~~✗~~ Existential Threat for **all** universities
- Shrinking applicant pools can trigger a consolidation of the higher-ed marketplace, with larger, well-regarded universities left to reap a larger market share
- Fewer freshmen will NOT have fewer interests
- Invest now across our disciplinary spectrum to attract varied interests of all future applicants

## Applicants, Admits, and Yield Trends

First-Year Undergraduates by Fall Admit Term



## Leadership Through Solidarity

In ABOR's recent review, they granted Robbins a \$100K bonus for meeting a number of at-risk enterprise metrics: research expenditures, graduates from high-demand programs, university initiatives, and improved rankings. We are concerned that these metrics reward one individual for the labor of the entire university community. Moreover, at a time when the president and Senior Leadership Team have required that very community to make major sacrifices, we are concerned that the president receives a monetary reward for services performed by those who have taken a pay cut or been laid off.

## **President Robbins could donate his bonus to:**

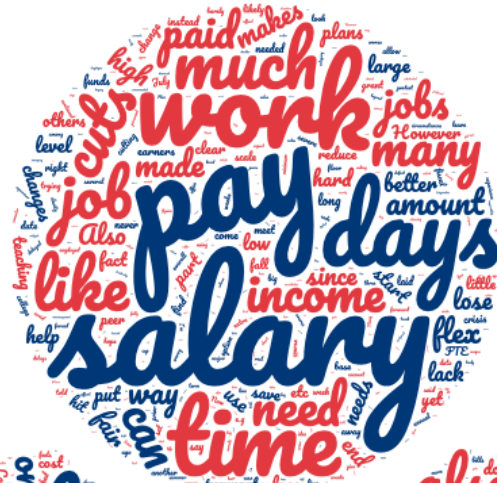
- **Campus Food Pantry (or other local food bank)**
- **Student Emergency Fund**
- **Presidential Scholarship for DACA students**
- **Campus Cultural Centers**
- **Native SOAR**
- **COBA**
- **Bonuses for Essential Workers on Campus**
- **PPE**

# Updates on Shared Governance

## Recommendations from GFFAC's July Report

1. The University of Arizona Executive Leadership Team adopt and distribute widely a formal statement of the respective roles and responsibilities of the governing board, administration, and faculty in decisions about the institution's budget.
2. Faculty who serve on budget committees (e.g., SPBAC) have "access to all the information" they require to carry out their tasks effectively.
3. The University of Arizona Executive Leadership Team prepare a roster of faculty members who are experts in various facets of budgeting, finance, and related higher education policies.
4. The University of Arizona Executive Leadership Team develop ways to encourage faculty interest in serving on budget committees and reward such service.
5. The University of Arizona Executive Leadership Team prepare regular reports on the effectiveness of their mechanisms for reaching budgetary decisions with the goal of improving them (e.g., regular updates from FSERT committees to Faculty Senate).

Thank you!



Questions?

