



**THE UNIVERSITY
OF ARIZONA**

Strategic Planning & Budget Advisory Committee

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STRATEGIC PLANNING & BUDGET ADVISORY COMMITTEE**

ANNUAL REPORT 2020-2021

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KEY COMMITTEE ISSUES AND ACTIONS

Budgetary emergency, implementation of a furlough, transition to a new budget model, and the acquisition of Ashford University were focus topics for SPBAC this year. SPBAC met throughout the summer months of 2020 to discuss urgent budgetary issues and challenges associated with campus reentry. Regular zoom meetings resumed in the Fall semester. Below list provides an overview of main areas of involvement for SPBAC this year.

1. BUDGET AND BUDGET CHANGES

Providing thoughtful and informed advice relating to budgetary policies is a main task of SPBAC. Informing members on the state of the budget, as well as discussion of university budget-related challenges was the most important topic for SPBAC, which addressed budgetary crisis as well as regular operations. Among others, the following topics were discussed:

- Revenue distributions for summer/winter/online teaching were discussed on November 4. Provost Folks presented information about instructional revenue distributions that flow outside of RCM, and further clarified that Fall and Spring tuition revenues were distributed within the RCM model but tuition flows for Summer and Winter were distributed via established formula.
- The allocation of funds from the COVID Relief Bill and State of Arizona's CARES Act were considered in the January 6 meeting.
- Nicole Salazar gave an overview of the FY19 Comprehensive Annual Financial Report (CAFR) and provided information about the FY20 report status on September 2, and returned on January 6 to present at review of the FY20 CAFR.
- Updated revenue and expense projections and furlough modifications were presented and discussed on October 7. CFO Rulney presented to the committee and invited feedback from SPBAC. She stressed differential impacts to revenue and support units. She also pointed out differential impacts related to furlough exemptions in that colleges with large amount of sponsored activity had less savings. SPBAC members were requested to provide their opinions on the furlough modifications after the meeting in a survey. The results of the Budget and Furlough Survey Results were presented on October 21; a report was sent to President Robbins.
- SPBAC invited an update on the budget, as well as an update on the status and work of the Financial Sustainability Taskforce during the March 17 meeting.

2. FURLOUGH, FACULTY AND STAFF COMPENSATION

In Summer and early Fall 2020, SPBAC discussions were dominated by senior leadership's decision to implement a furlough to meet the need for substantial decrease in expenditures due to COVID-19 crisis.

- In the July 1 meeting, President Robbins updated the committee on the decision to delay implementation of the furlough/salary reduction program in response to widespread faculty and staff concern, and noted possible financial consequences that may result from the delay. Due to the widespread concern among UArizona faculty and staff which had led to the formation of the Coalition for Academic Justice at UArizona (CAJUA), SPBAC invited representatives of CAJUA who provided a statement to the committee which expressed the commitment of CAJUA in finding comprehensive approaches to UArizona's financial challenges. CAJUA had received a financial assessment of UArizona's financial status from Dr. Bunsis (Eastern Michigan University), and CFO Rulney offered responses and clarifications to this financial assessment to the committee.

- SPBAC also invited a presentation by the General Faculty Financial Advisory Committee (GFFAC) for the August 4 meeting. GFFAC had been formed to formally represent faculty concerns about the furlough and budgetary consequences of COVID-19-related challenges, which included recommendations on the use of debt to either augment or replace the furlough program. GFFAC recommendations on Debt/Financing/Borrowing/Credit were again discussed on September 16.
- A general update on faculty hiring, termination, and retention was invited for March 3. Vice Provost Romero and Judy Marquez Kiyama presented details of the strategy for a faculty equity ecosystem and the status and plans for the Strategic Priorities Faculty Initiative (SPFI).
- A review of new benefits plans was discussed in the October 21 meeting.

3. TRANSITION TO ACTIVITY INFORMED BUDGETING (AIB)

The intended transition to a new budget model which seeks to overcome challenges with RCM, has been a focus of attention for SPBAC. SPBAC intends to play an integral role in advising senior leadership on the implementation of a new budget model, requiring SPBAC members to develop understanding of financial consequences and providing regular input into the planning and implementation process. Discussions of the transition from RCM to AIB started in Fall, and will continue into the foreseeable future.

- An overview of the intended transition of Responsibility Centered Management (RCM) to Activity Informed Budgeting (AIB) was presented in the November 4 meeting. Provost Folks presented 17 Guiding Principles for this transition and invited input from SPBAC on these and potential additional principles. A survey was conducted among committee members to provide feedback on AIB guiding principles after the meeting.
- A more general introduction to Activity Informed Budgeting was given by Provost Folks on November 18, which focused on key differences to RCM. Among other, she stated non-RCM tuition revenues were an example of how the University did not implement a true RCM model and that AIB represented an opportunity to change to a more accurate and transparent budgeting approach.
- Another update on the RCM / AIB transition was given on February 3. CFO Rulney, Provost Folks and Garth Perry shared information on the progress toward the new AIB budget model and strategic plan initiatives, and how guiding principles feedback was incorporated, data from a survey conducted by the Office of the Provost was compiled, and the initial charter and staff working group was formed.
- Starting in April, each SPBAC meeting included a 15min AIB update. Garth Perry provided a review of the design decision request related to student credit hours (SCH) (consistency in assignment by delivery platform; assignment by course owner; removal of the exception list; and reporting to be offered outlining where course owner and instructor's primary home department differ).
- Another AIB update focused on the potential financial consequences of the planned adaptation of General Education requirements (GenEd Refresh). This discussion will continue in Fall 2021.

4. ASHFORD ACQUISITION

A widely debated topic was the acquisition of Ashford University which raised substantial concern on campus. SPBAC faculty representatives had met over the summer in response to an invitation from CFO Rulney and Brent White to learn more about the acquisition plans and provide a recommendation. The group provided recommendations as requested to CFO Rulney and Brent White, advising against the acquisition. It is to be emphasized that this recommendation was not given by the entire SPBAC committee, but the subgroup of faculty representatives.

- In August, SPBAC invited an overview presentation on the acquisition plans. Brent White provided details on the acquisition of Ashford University, stating a separate, non-profit university named UA Global Campus would operate through an affiliation agreement with the University of Arizona. He said UA Global Campus would purchase the assets of Ashford University for \$1 and enter into an agreement with Zovio, the parent company of Ashford University, to provide online program management services. Craig Wilson explained the reach of the acquisition, concluding that the acquisition would provide a large pipeline for students to the main campus, and that the acquisition would allow for rapid growth through expanding UArizona impact in other markets and attracting different (non-traditional) students.
- SPBAC discussed the distribution of the revenues from the Ashford acquisition in September, conducted a related survey among SPBAC members and provided the results to President Robbins.
- In the December 2 meeting, SPBAC discussed issues of strategy and branding for UArizona Online/Distance/Global initiatives and the newly formed entity called UAGC (University of Arizona Global Campus). Provost Folks described how UAGC would fit with current UArizona instructional operations. A joint academic advisory plan was planned. Brent White presented to the committee about the objectives and key results for University of Arizona Global. Craig Wilson presented the mission and vision statement for online and distance education and gave an overview of UA Global Campus.

5. RESEARCH

A strong emphasis this year was put on issues of “Financing the Research Mission” as strategic and budgetary challenges surrounding the research mission of the university had been somewhat neglected by SPBAC during the past few years.

- Betsy Cantwell presented an Infographic on F&A in the August 19 meeting to lay the groundwork for better understanding of the role of F&A. In aggregate, F&A recovery (overhead and indirect cost return) supports 70% of research and the remaining 30% was covered by the University.
- The December 9 meeting included a presentation on Financing the Research Mission where Betsy Cantwell presented to the committee regarding components of funding the University of Arizona, as well as providing an overview of the structure of UArizona Research & Innovation.
- How to embrace the complexity in furthering the research mission was a SPBAC topic on April 7. Cantwell informed the committee on the current state of research at the University. She explained that approximately 85% of research costs are covered by awards. The focus for research development at the institution has been largely on individual PI support and internal partnerships. Support staff have faced stagnant pay and support budgets have not increased in

recent years. Cantwell presented on challenges such as the current RCM model approach to research; infrastructure and development cannot scale with research growth; and increased demands and oversight from federal agencies, and the challenges involved with the TRIF program.

6. STUDENT SUCCESS

Supporting the Wildcat Journey was an important topic for SPBAC, in particular in this challenging year.

- An overview of Spring 21 enrollment & Fall 21 recruitment stats and merit & need aid were discussed on January 20. Kasey Urquidez presented a review of Spring 2021 enrollment and presented demographic comparison data for resident, non-resident, and international students. She explained that the University was now test-blind for merit awards and that a focus was on maximizing GPA while increasing NTR and lowering the discount rate. An Admissions, Merit Aid & Outcomes Advisory Committee had formed. Craig Wilson presented data on Online and Distance Education enrollment, noting that there were no negative impacts from the creation of University of Arizona Global Campus (UAGC). Wilson stated UA Online was ranked #7 for online programs and was ranked #5 for veterans. A faculty advisory council had been formed.
- Graduate student recruitment / retention and completion / financial support structures for PhD/ MFA / etc. students were presented by Andrew Carnie on February 17, including a recap of action items from a 2019 SPBAC meeting.
- The topic of “Aid, Success and Revenue in a Changing Market” was discussed by Kasey Urquidez on March 17. Urquidez highlighted the state funding impact on tuition and stated a significant decrease in state funding for public institutions resulted in an increased dependency on tuition revenue, and how different modalities meant revenue per FTE had decreased (shift from main campus to online enrollment). Arizona Online offset some of the loss. Urquidez stated affordability was the main reason a student chose not to attend the University of Arizona, and mentioned recent aid strategies at the University including lowering the discount rate from 30% to 23% during 2013-14 as part of the Never Settle strategic plan and increasing aid to improve retention and completion for competitive aid packages during 2016-17.

7. AUXILIARIES REVIEW

Due to the particular budgetary challenges imposed by the COVID-19 pandemic, SPBAC paid particular attention to the financial situation of UArizona auxiliary services. The Financial Sustainability Taskforce instituted by CFO Rulney provided necessary insights.

- The Operational Efficiencies Working Group’s recommendations on Facilities Management and the Bookstores were presented and discussed in the December 16 meeting. SPBAC members were invited to provide feedback on the presented recommendations after the meeting.

SPBAC CO-CHAIRS' FINAL REMARKS

In light of the unique, sudden and persistent challenges posed by the pandemic, **SPBAC had to become nimbler and more responsive in order to provide support to senior leadership, while paying particular attention to possible negative (unintended) consequences for UArizona employees and students.**

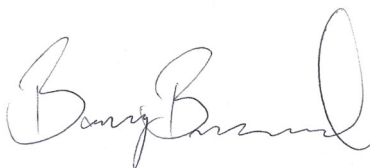
SPBAC members have provided input during SPBAC meetings, as well as in surveys which were summarized to provide recommendations to senior leadership on the following topics: Transfer of Funds between Colleges/Units; Ashford Acquisition Revenue Distribution; Budget and Furlough; Recommendations for Auxiliaries.

We welcome the growing awareness among senior leadership for including SPBAC earlier, and more consistently, in strategic and budgetary decision making. We positively note the building of an Advisory Board to the Chief Financial Officer (as recommended in SPBAC annual report 2019-2020). To further improve shared governance process, we recommend stronger **Implementation of Shared Governance Principles on Senior Leadership Level**. In particular, we recommend that faculty members elected by the general faculty continue to be included in the membership of the Senior Leadership Team. At minimum, we expect the Chair of the Faculty to be included, preferably also a SPBAC co-chair. This serves to shorten the communication channel between senior leadership and faculty, increases transparency and perceived goodwill, and speaks to the shared governance principles we uphold.

Under its current leadership, **SPBAC has started a repositioning process** which has been delayed by the COVID-19 crisis. We propose to implement following changes in SPBAC operations:

1. Implement a schedule of recurring topics based on identified priority topics (implemented for AY 2021-2022)
2. Providing SPBAC members with a monthly scorecard with metrics on priority topics based on a strategic initiative for UAIR (in the works for AY 2021-2022)
3. Reconfirm the role of SPBAC with university leadership.

It is our hope and expectation that decision-making processes in SPBAC priority areas, and other areas of university-wide budgetary and strategic relevance, will continue to involve consultation with SPBAC in early stages of the decision-making process to enable a pro-active and consultative function for SPBAC. We wish to provide efficient decision-support for senior leadership, while also working effectively in the shared-governance process.



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SPBAC Co-Chair



Sabrina Helm
SPBAC Co-Chair