General Faculty Financial Recalibration Committee (GFFRC)

Correcting Course, Protecting the Core, & Targeted Cuts, not Across-the-Board

GFFRC's Recommendations for Correcting Course, with Fiscal & Strategic Discipline

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What Happened & Why We Need to Correct Course

For years, UArizona's central administration spent more money than it could afford, leading to a draining of unrestricted cash reserves. Specific activities included:

- **Providing Excessive Tuition Discounting**:
  - $26-36 million/year over 5 years
- **Investing in "Strategic Initiatives"**:
  - $146 Million over 4 years
- **Supporting Athletic Subsidies**:
  - $125.5M from 2016, including ~$32M in FY23 & FY24

Clearly, there were insufficient to nonexistent expenditure controls, including from ABOR, on central administration that enabled continued spending, even as days-cash-on-hand declined for several years.

> We made a bet on spending money…We just overshot
>
> -President Robbins

As a result of central administrative decisions & overspending, the colleges/divisions, particularly the academic units, have been undercompensated (per credit hour productivity) & overtaxed. Combine the annual lost revenues from excessive tuition discounting ($26-36M) and the annual strategic initiative monies ($36.5M) drawn from taxing the units, and you roughly get the amount of "overspending" by colleges ($61M in FY23)

To correct course, any investment decision should be guided by the following three questions:

- **Why are we making this investment?**
- **Have we budgeted for this investment?**
- **What is the return on investment?**

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What Guides Us

GFFRC adheres to the following principles regarding UArizona financial solutions:

- Prioritize and protect the core, by differentiating between core academic units and support units

- Prioritize and protect employees (graduate assistants, faculty, and staff) who comprise the academic core in serving students and the instructional/research missions. Recalibrate/rightsize senior administration at the campus/college/division level, which has grown disproportionately over the past decade

- Promote targeted cuts, not across-the-board scenarios and cuts.

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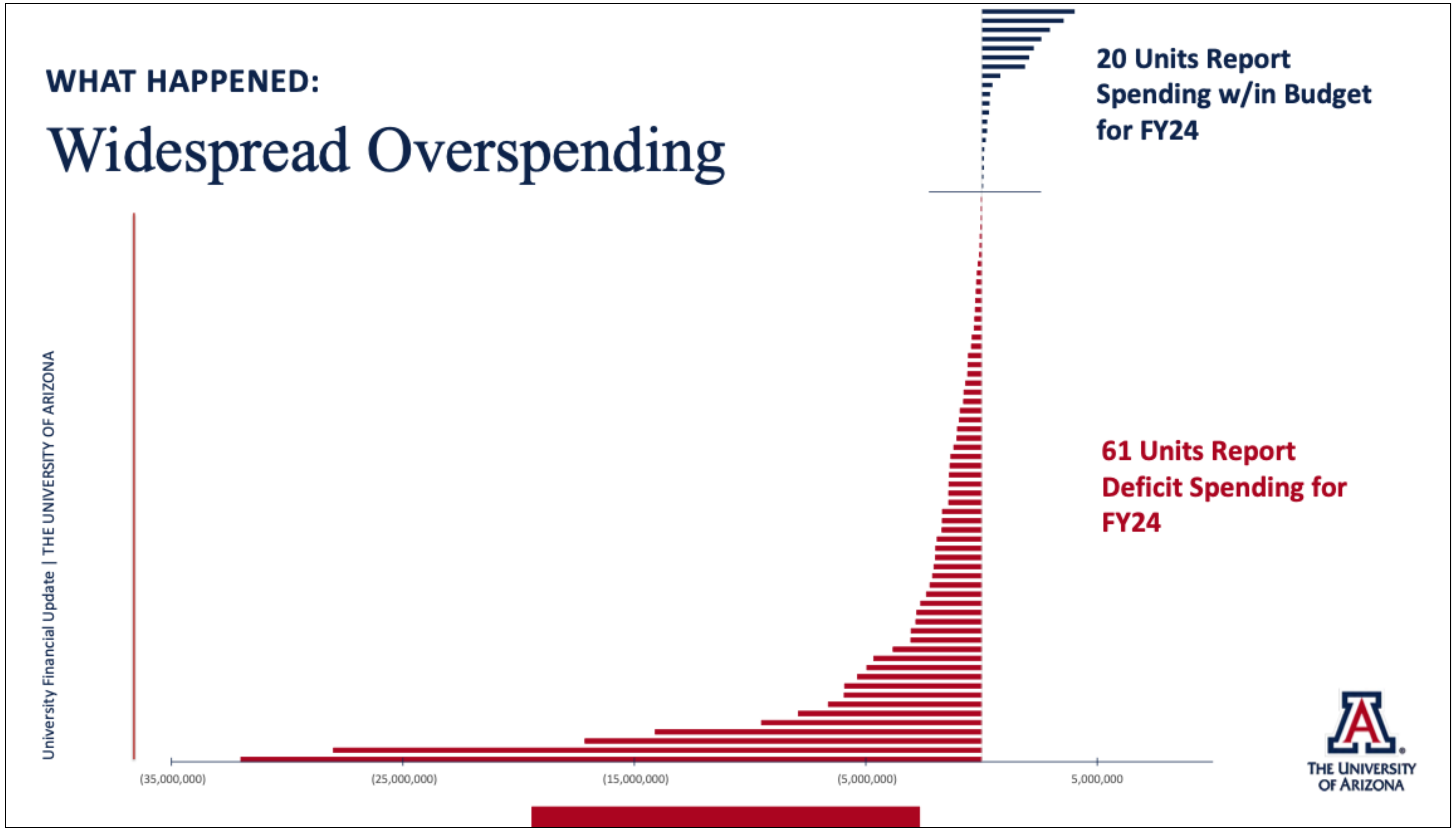
Arnold’s Financial Cost-Cutting Strategy

To address the situation of deficits by many colleges/ divisions, John Arnold has tasked all college/division heads to prepare **5%-10%-15% cut scenarios**.



That fails to:

- ***Prioritize and protect the academic core;***
- ***Reduce senior administrative costs, and protect graduate assistants, mid-lower level staff, and faculty who serve our students and our instructional and research missions;***
- ***Target solutions to where the biggest problems are, punishing all units for the significant challenges of the relatively few.***

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Arnold’s Financial Cost-Cutting Strategy - *Continued*

GFFRC’s Observations, Questions, and Recommendations

Looking closely at John Arnold’s figures:

- 20 units are not in deficit
- ~20 have less than $1 million in deficit.
- 8 units comprise 90% of the overall deficit.
- The college and divisions hold $116 million in deficit;
- 11 units hold approximately $110 million of the (95%).

Why propose across-the-board 5/10/15% cut scenarios for 81 units when at least half are either NOT "overspending" or are "overspending" by a small amount? This punishes the many for the problems of the relatively few.

If it ain’t broke, why fix it?

John Arnold says the “overspending” of units in FY23 was $61M. He projects that the “overspending” of units in FY24 will be $116M, 90% increase. Really?

***To prioritize and protect the core**, we should be differentiating academic from support and auxiliary units. That is what President Robbins committed to in mid-December, and in a February 9 email to the campus community. In January 2020, BEFORE the pandemic, then-CFO Rulney implemented a similar, mid-year across-the-board policy, though considerably less aggressive, to meet days-cash-on-hand concerns. Academic units experienced a 1.5% takeback/cut, and non-academic units experienced a 3.5% takeback/cut.*

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Athletics

GFFRC *getting real, with the facts: Reining in massive overspending*

John Arnold has said that we have to be "realistic" about what we can expect from an Athletics Department in the current environment. He, President Robbins, and ABOR have spoken to the challenge of athletics being a universal one, with all athletic departments nationwide losing money.

But what are the facts?

- Although most athletic departments lose money, 17 of the roughly 53 "power five" conference schools are not.[1]
- Among those power five schools, only 6 run deficits at a level such that they receive > 15% of their monies from main campus.[1]
- The University of Arizona in 2023 received a larger subsidy (over 25%) than any other power five school in 2023
  - **That is on top of subsidies from main campus of $56.5M from 2016-2019 (pre-pandemic), and $69M in 2021 & 2022.**

GFFRC calls for reining in the excessive, ongoing, nationwide worst overspending of the Athletics Department, with:

- ***Implementing a 20% reduction in Athletic Administration, through attrition, retirement, layoffs more at the senior level, than at the mid- and lower levels***
- ***Freezing coaches' salaries***
- ***Suspending hiring of coaches***
- ***Reducing scholarships, to be counterbalanced by donors***
- ***Promoting meaningful shared governance involvement in and oversight of these increased efficiencies***

[1]NCAA 2023

UAGC

GFFRC *getting real about the costs & prospects of central initiatives*

In 2023:

- UArizona underwrote ~$103M in federal student financial aid liability for UAGC to ensure UAGC's ongoing access to Title IV financial aid (which is essential to its survival).
- UAGC ran a net deficit of $18.3M and in the Nov 2nd ABOR meeting, UArizona pointed to new investments in infrastructure being undertaken at UAGC.
- UAGC was assimilated into the UArizona books, with over $265M in operating expenses, thereby raising the days cash on hand required to meet the ABOR metric of 140 days. Although it is claimed that they "brought" $47M in cash on hand, for an operation at the time of $265M, they should have brought $100.7M to meet the ABOR threshold.

We are assured that the deficit will only be $2.5 or $3.5M this year, and that next year UAGC will generate $3M in surplus. Really?

It is just this sort of unrealistic, magical thinking by central administration that got us into this situation.

What Arnold presents are projected "budgets"

There's a reason why BudgetS start with B and end in S.

GFFRC is focused on actuals, and realistic assessments.

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UAGC - *Continued*

GFFRC *getting real about the costs & prospects of central initiatives*

To guide our course correction, and ensure fiscal and strategic discipline, at every organizational level we will rigorously ask three questions This is especially true at the central level, & it especially requires shared deliberation & governance:

1. Why are we doing this? (i.e., does it fit who we are);
2. Can we afford to do this within our budget? (i.e., can we sustain the cost over time);
3. What is the realistic, not the in-your-dreams ROI? (i.e., business plan that is drafted, reviewed, and interrogated)

Recalibrate and Rightsize Senior Administration in the Process

Employee Type	FY 2014	FY 2023	Percent Change
Administrators	168	241	43.45%
Classified Staff	5,255	571	-89.13%
Graduate Assistants	2,873	2,785	-3.06%
Non-Tenure Faculty (Adjunct, Career, Continuing)	1,695	1,992	17.52%
Tenure & Tenure Track Faculty	1,563	1,543	-1.28%

Rightsizing UAGC systems, assets, personnel (emphasizing first administrative personnel) and programs.

- ***Reduce administrative staff due to redundant responsibilities/titles & due to attrition by 30%***
- ***Eliminate overlapping programs through expedited academic programs review, starting with Business, Education, and SBS (biggest program areas and overlaps), which leads to a reduction of 15% in (part-time) academic staff, largely through attrition.***
- ***Grandparent a percentage of the students in UAGC into UAOnline and in the process reduce the required amount of days cash on hand.***
- ***Target savings to model for: $39.75M (that's a 15% cut in their FY2023 operations budget)***

Summary

GFFRC Priorities

- **Prioritize & protect the core**, disaggregating academic from support and auxiliary programs.
- **Prioritize and protect employees** (graduate assistants, faculty, and staff) who comprise the academic core in serving students and the instructional/research missions. Recalibrate/rightsize senior administration at the campus/college/division level, which has grown disproportionately over the past decade
- **Promote targeted cuts**, that address the particularly challenging units, academic and support/auxiliary, not across-the-board cut that punish/harm all for the significant challenges of the relative few

Identified Issues

- Implement expenditure controls **ON CENTRAL ADMINISTRATIVE INITIATIVES** & recalibrate and reallocate monies saved back to the academic units from which they have been extracted.

How to Proceed

- Leverage VP Enrollment Management, Kasey Urquidez' plan as a model:
  - **Scale back** on the excessive tuition discounting of merit aid
  - **Mitigate losses** (in this case, students) by reinvesting 10% of the savings in targeted ways, working with colleagues in academic units (like COE) and Honors, & with GFFRC to maintain/increase enrollment
  - **Reallocate** 90% of the savings back to the academic units, keeping in mind that this lost revenue led to reduced per-credit hour allocations to colleges & THAT contributed to what is now called “overspending.”

QUESTIONS & DISCUSSION

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