CORRECTING COURSE, PROTECTING THE CORE, & TARGETED, NOT ACROSS-THE-BOARD CUTS

GFFRC INTERIM REPORT & RECOMMENDATIONS

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March 11, 2024

GFFRC Interim Report & Recommendations (3/11/24)

Background & Update

The General Faculty Financial Recalibration Committee (GFFRC) shares this Interim Report and Recommendations based on more than a semester's work of gathering and analyzing data, and interacting with and gaining insights from various central administrative offices. In December, that work was intensified, as was our engagement with central administration.

After presenting our preliminary thoughts at the December 4 Faculty Senate meeting, President Robbins invited GFFRC members to two subsequent meetings with a management committee that was working on developing a financial mitigation plan to be presented to the Arizona Board of Regents (ABOR) in mid-December. GFFRC participated in meetings on December 6 and 7. Before the December 7 meeting, we provided written recommendations based on what we had shared with the Senate. At the end of the December 7 meeting, President Robbins asked two members of GFFRC (the Chair, Professor Gary Rhoades, and Professor Shyam Sunder) to participate with two management committee members to meet the following day to draft two pages of notes for him to draw from in his mid-December presentation to ABOR.

A good part of the recommendations the two GFFRC members suggested and what came out of the group of 4 informed President Robbins' ABOR presentation. That included disproportionate reductions to senior administrative costs, to the University of Arizona Global Campus (UAGC) through the reduced duplication of systems, programs, and personnel, & to Athletics. In addition, some of what had been considered in the management committee (e.g., 5% across the board cuts), we advised against, proposing targeted cuts focused on units with the biggest financial challenges, which was in President Robbins' ABOR presentation. We also recommended, and President Robbins presented to ABOR the importance of prioritizing and protecting the academic core. Further, we recommended prioritizing people, particularly the most vulnerable employees, concentrating reductions at more senior levels and in those units, such as athletics, with the greatest financial challenges. Finally, we recommended creating lock box reserve accounts in the units, with a process for approving the unit's subsequent use of those monies.

Subsequently, CFO Lisa Rulney resigned and John Arnold was appointed Interim CFO. In some regards, we are hopeful about some continuity of current measures with dimensions of the mid-December plan—prioritizing reductions in senior administration, realizing reductions at UAGC (thank you to UAGC VP of Finance Lisa Kemp for this information), and planning reductions in Athletics (with the hiring a budget minded AD). However, the 5/10/15% cut scenarios that the university's units are being tasked with developing and discussing with Interim CFO Arnold, are, we believe not fully in keeping, in practice, with what was developed/presented in December.

Thus, in the spirit of recalibrating the UofA's ongoing management of its financial and strategic challenges, we offer this Interim report and recommendations. And, as we indicated to John Arnold at the January 29 Faculty Senate meeting, we are interested in meeting with him. That will be important for enhancing the financial plan, ensuring clear, accurate calculations of units' "overspending," to recalibrating the plan's implementation to mitigate its adverse effects and optimize its effectiveness, not just immediately, but for the long-term health of the university.

Correcting course, Protecting the Core, & Targeted, not across-the-board cuts Bulleted Executive Summary

As suggested in the title of GFFRC's Interim Report, our recommendations for correcting course are guided by three principles that guided our collaborative work with management in December: (1) Prioritize & protect the core, by differentiating between core academic units and support and auxiliary units; (2) Prioritize & protect the employees (graduate assistants, faculty, and staff) who are our academic core in serving our students and our instructional/research missions, and whose numbers have declined over the past decade, & rightsize senior administration at the campus/college/division level, which has grown disproportionately over the past decade; & (3) Promote targeted cuts, not across-the-board scenarios & cuts.

I. What happened: The decentralization-was-the-problem narrative vs. central spending

The current crisis was first triggered and focused on the issue of days-cash-on-hand. We emphasize that the decline of days-cash-on-hand has been ongoing since FY 2018, and led to mid-year takebacks from budget units in January 2020, before the pandemic. As the management committee came to agreement on in early December 2023, (a) a problem that has been at least five years in the making will take several years to remedy in building back up the university's reserves, at the central and college/unit level, and (b) the longer-term days-cash-on-hand problem should be separated out from the more immediately manageable/solvable annual deficit problem. Going forward, the first step is to stop the deficit spending. The second step, over 3-5 years, is to build our reserves back up at the central and college/unit levels for a stronger future.

We intersect the central administrative overspending identified by President Robbins and Chair DuVal with the ABOR/John Arnold narrative of "widespread overspending" by the institution's budget units. The two patterns are connected in ways that have not been sufficiently addressed. The current diagnosis of "undisciplined spending by local units" and plan of treatment/action of implementing 5/10/15% cut scenarios on those units, fails to address the centralized overtaxation and overspending that got us here, and it perpetuates the undercompensation/underinvestment in the university's production units that threaten and undermine the university's academic strength.

(a) *To redress what have been insufficient to nonexistent expenditure controls on senior administration, we recommend the establishment of such expenditure controls in a process of deliberation around questions that will result in greater fiscal and strategic discipline.*

(b) *To redress the ongoing underinvestment in the university's production units, we recommend a historically informed baseline consideration of the costs entailed in producing the growth the university has realized in students (and credit hour production as well as graduation rates) and in grants productivity, with an eye to recalibrating investments in those units rather than taking a one year, arbitrary baseline from which to calculate overspending and propose cuts.*

II. Arnold's 5/10/15% cut scenarios strategy, & disaggregating the data & the action

As indicated above, we would suggest a more historical and clearer/more transparent discussion of how the baselines for calculating "overspending" were done. Moreover, although we work from the numbers in that bar chart (see Appendix A), we are skeptical about the projected 90% increase in the deficit (from $61M to $116M) that John Arnold projects in that "overspending" from FY23 to FY24 (in saying this, we know that Arnold said these projections do not take into account the cost containment measures put in place in December/January, and thus the level of deficit would likely be considerably less).

The framing of the bar chart as evidence of "widespread overspending" somewhat exaggerates the data. Of the 81 units, 20 are balanced or are running surpluses, 20 are running less than $1M deficits, and 11 account for roughly 95% of the overspending.

(a) *To prioritize and protect the core, we recommend disaggregating academic from support and auxiliary units, and applying lesser levels of cuts/scenarios to the former, as was done in January 2020 with mid-year cuts that were 1.5% for academic and 3.5% for non-academic units.*

(b) *To not again make the mistake of an across-the-board approach, which with the cuts in January 2020 and the furloughs of Fall 2020, failed to solve the problem (of senior administration's overspending), and in recognition of the concentrated distribution of how many units account for ~95% of the overspending, we recommend disaggregating within the categories of academic, support, and auxiliary units, such that the cut scenarios approach is applied to those 11 units with the most significant financial challenges and the units that are not facing significant financial challenges are not subjected to the exercise.*

(c) *In recognition of the need to generate more revenues, as John Arnold has articulated, we recommend that units develop 5 & 10% growth scenarios addressing what resources would be required to achieve particular levels of growth in productivity and efficiency.*

III. Prioritizing reductions in more senior administration at the central and college levels, but who is being served notice versus who is being bailed out?

Consistent from President Robbins' presentation to the present is an articulated commitment to reducing senior administrative positions. At present, beyond indications that all senior positions are being reviewed, though, it is not clear what actions at that level are being taken. What is clear is that the cut-scenario approach is contributing to a situation, though perhaps unintended, of deans, division, and unit heads beginning to essentially serve notice on or plan on non-renewing the most vulnerable student, staff, and faculty (e.g., career track) employees. Those who are most likely to be on the chopping block are those least responsible for the challenges we face. Worse, there are some high profile examples of senior level administrators who have stepped down but whose salaries have been continued (either on state money or through donor monies). It is hard to overestimate the negative fallout among employees and in the communities we serve.

*(**a**) We recommend that cut scenario targets of 10% & 15% be set for senior positions in senior administration and in the budget units, prioritizing those reductions.*

IV. UAGC reducing costs: Hopeful signs, realistic trajectories

Consistent from President Robbins' presentation to the present is an articulated commitment to reduce expenditures at UAGC, whose student numbers (and operating expenditures) have been declining. An initial exchange with UAGC's VP for Finance indicates that already this year there have been reductions in operating expenditures on the order of 6-7%, which is close to half of what GFFRC recommended in December, and which John Arnold has alluded to in his presentations. We are hopeful that this trajectory of reduced expenditures continues.

(a) *We recommend a continued search for reduced duplication of personnel given the merger, even as we realize UAGC remains a distinct enterprise compared to the UofA main campus.*

(b) *We recommend a continued search for review and reduction of overlapping programs, even as we realize the different student populations served by UAGC and UofA.*

(c) *We recommend a deliberative, realistic assessment of the financial impact and strategic potential of UAGC. On financial impact, for instance, the days-cash-on-hand brought by UAGC in mid-2023 falls well short of ABOR's 140 days cash on hand metric, with implications for the UofA overall in meeting that metric. On the strategic potential, we understand that UAGC officials see substantial growth in student numbers in the future. However, the trend line of its student numbers, both before and after affiliation, along with the patterns in that segment of postsecondary education, would warrant healthy skepticism about those prospects.*

V. Athletics: Getting realistic, getting the facts, getting to a balanced budget

John Arnold has said that we have to be "realistic" about what we can expect from an Athletics Department financially in the current environment. He, President Robbins, and ABOR have spoken to the challenge of athletics, suggesting that all departments nationwide lose money. Most do run at a deficit, a fact that was true well before the pandemic, and that the Faculty Senate has previously and frequently for years pressed upon central administration the need for reform and fiscal discipline to ensure Athletics' sustainability in the long term. But, some do not, a fact attested to by the success of the new Athletic Director, Desireé Reed-Francois in doing precisely that at the University of Missouri. Among Power Five schools, the University of Arizona in 2023 was the worst in running a deficit.

(a) *We encourage the new AD to both, as she apparently has done at Mizzou, reign in the overspending and find creative ways to increase revenues, and to collaborate with representatives of the academic side of the house in working through these matters.*

(b) *We encourage the development of a plan to not just balance the budget but repay the $69M in loans made to Athletics in 2020-2021.*

VI. A plan for managing enrollments more efficiently and effectively, with local knowledge and opportunities

VP for Enrollment Management, Kasey Urquidez, has already modeled several strategies for reducing $10-12M annually and cumulatively over four years in lost net tuition revenues. She has estimated that such a scaling back on merit aid tuition discounting will reduce student enrollments on the order of around 1,300 undergraduates. Ideally, we will be able to work together to mitigate those reduced student enrollments.

(a) *We recommend that the savings modeled by VP Urquidez, which translates into those monies being distributed back to the academic units that generated them, be built into models of balancing unit budgets over time and building up the university's days cash on hand.*

(b) *We recommend that 10% of the realized savings (which will accumulate each year) be reinvested in targeted ways, working with colleagues in academic units (like COE), Honors, and the office of HSI, with GFFRC to pilot and scale up initiatives to maintain/increase enrollment in key realms in keeping with our mission and values.*

VII. Upsizing and reinvesting in a wrong-sized workforce

The several years, sometimes decade-long trend, in the staffing of the University of Arizona is a reduction in the number of graduate assistants and of tenure track faculty, and a worsening of the ratio between students and the staff and career track faculty who serve them. We have also seen a decline in the proportion of institutional personnel expenditures accounted for by all categories of faculty. Such patterns of disinvestment compromise our public research university mission. And the current cost containment strategies (e.g., with hiring freezes), are only serving to further compromise the hiring of personnel who are key to serving our mission and our students.

(a) *We recommend 3-5 year plans be developed at the central and college levels to recalibrate university staffing so as to invest more in graduate assistants and tenure track faculty, and to enhance the support, working conditions, and job security of staff and career track faculty.*

In offering these analyses and recommendations, the General Faculty Financial Recalibration Committee members draw on decades, individually and collectively of experience in managing and navigating financial matters on the ground (as faculty and heads), in this university. We center the fact that is too often lost in working through financial challenges, even when central managers invoke how excellent we are as a university. We believe that key elements of the current financial plan, in practice, not only do not protect the academic core, but they are compromising it currently and in its future. We hope, in the spirit of the collaboration with President Robbins and the central administration that has defined our efforts thus far, that our recommendations will lead to a recalibration of the financial plan.

Correcting course, Protecting the core, & Targeted cuts, not across-the-board

I. What happened: The decentralization-was-the-problem narrative or central spending

The GFFRC recognizes that the remedial measures to put the university on healthy financial footing is imperative. We also recognize that restoring financial health requires an approach that, as the President and John Arnold have articulated, consistent with GFFRC, prioritizes and protects the University's core. As we discuss below, the Arnold plan of imposing 5/10/15% cut scenarios to budget units seems centered solely on cost containment with little-to-no-attention to the institution's core missions, and insufficient attention to the core managerial problems that got us here. This blunt edged cure is worse than the disease, as it is already compromising the productivity and revenue generation of academic units, and may reduce revenues even more than expenditures. We call for a return to the more precise, targeted approach that was presented to ABOR by President Robbins in mid-December, focused on two steps and two objectives in two stages. The short-term goal is to reduce and then eliminate operating deficits. That is what we concentrate on in this Interim Report. The longer-term goal is to rebuild cash reserves at the central and college/unit levels to reach the ABOR 140 day metric. Such cash restoration should include (a) recovery of amounts lent to athletics (b) ensuring that UAGC as a unit generates cash to reach a level of 140 days of cash on hand, and (c) asset restructuring and disposals and consideration of debt restructuring. All these actions will require a longer time horizon.

In explaining to ABOR what happened in regard to the university's financial situation, President Robbins said, "We made a bet on spending money, … we just overshot." Along these same lines, ABOR Chair DuVal has said that, "There were investments, strategically made, but which we could not afford," and "We bought excellence." Both, as well as John Arnold, have pointed to three major examples of that overspending: tuition discounting of merit aid to attract more meritorious and out-of-state students, which cost $26-36M annually in lost revenues for at least five years; strategic initiatives that cost $146M over four years; and subsidies/loans to the Athletic Department to cover its deficits (the totals will be detailed below).

There were insufficient to nonexistent expenditure controls on central administration, including from ABOR, as these levels of spending continued over multiple years leading to declining days cash on hand.

At the same time, from the time of President Robbins and then-CFO Rulney's November 2023 presentation to ABOR through the present, another narrative, that decentralization-is-the-problem has become prevalent. That narrative indicates that the reason for the overspending is resource allocation systems (first RCM and then AIB) left budgetary authority in local units which spent in undisciplined ways that were beyond the control of central administration. That idea underlies the elimination of AIB and the push for central control of budgets.

Before addressing a fundamental flaw in the decentralization-is-the-problem narrative, we want to underscore that the two accounts regarding overspending are connected in ways that have not been sufficiently addressed. ***Unregulated spending by central administration led to a systematic, cumulative undercompensation to units for the additional students and credit hours they educated and generated and at the same time an overtaxation of those same units to sweep monies to the center for reallocation.*** The undercompensation stems from tuition discounting. Those lost $26-36M/year are monies the units should have gotten and needed to cover the cost of educating more students and producing more grants. The overtaxation stems from budgeting systems that sweep monies from the units (under AIB, an annual 3% tax plus a "gainshare" tax of 15% on reserves greater than 25% of a unit's operating expenditures) to reallocate to "strategic initiatives" costing ~$36.5M/year. ***The combined lost revenue and taxes alone are greater than the alleged "overspending" by those units in 2023 of $61M. Although we, of course, understand that there is always room for some greater efficiency, the alleged "overspending" by units is a structured deficit, shaped by central***

administration's over spending on tuition discounting of merit aid and overspending on "strategic initiatives."

In reference to the "gainshare" tax above, as explained in a report written by Katie Zeiders and Jeff Michler of CALES. with specific examples from their college, the gainshare tax and the incentives and/or directives issued by the former Provost and CFO to spend down reserves to what the College objected were dangerously low levels, has contributed greatly to the situation we are in. And we have heard from other colleges and units as well about these messages fro central administration to spend down local reserves. That has drained the university's days-cash-on-hand, more than apparently the former Provost and CFO were aware (as evidenced in the $240M miscalculation in the Fall 2023 about days-cash-on-hand). Information about whether units labeled "in deficit" or "over budget" spent from their reserves for one-time expenses or for ongoing operations is needed to have a better understanding of what is a structured deficit.

Thus, AIB was not (and neither was RCM), as John Arnold and others have claimed, a "decentralized" "resource allocation" model that left too much budgetary authority in the local units and that failed to control unit budgets. Quite the contrary, as the example about gainshare tax shows. The principal priority of AIB, as articulated on the UofA website was to, "Ensure adequate funds centrally to meet central strategic opportunities." The central administration controlled the algorithm, the payout formula (for example, units now receive roughly 18% less payout per student credit hour than they did five years ago), and taxes levied on units with that priority goal in mind, building a central pool for reallocation. Moreover, the provost and CFO quite directly tracked/managed expenditures on a quarterly basis, demanded greater efficiency and productivity, and incentivized units spending down their reserves. So, units are producing more, but getting less for the productivity, because of central administrative adjustments to the formula, due to lost net tuition revenue and taxation sweeping monies to the center. Although some/many of the strategic initiatives entailed important work, the undisciplined spending on them came at the expense of sufficiently supporting the university's core academic units.

The above point should give some pause to the "centralization is the solution" approach currently being implemented with great expediency, with many bumps in the road already emerging, even in its announcement versus a careful set of communications and guidance. These measures are presumably based on assumptions about budgetary consideration and operational efficiencies that will be realized by centralizing services. It would make sense to have some clear analysis and communication related to what is a lot of upheaval and uncertainty. There should also be sustained efforts, inclusive of the staff, faculty, and student employees involved and affected so that a careful and ongoing calibration of the changes and their effects can be undertaken. As one tech supervisor communicated to us, "We know in principle how to do change, but that is not we are doing in this rush to centralize."

To correct course, and enhance fiscal and strategic discipline, GFFRC recommends:

(a) *To redress what have been insufficient to nonexistent expenditure controls on senior administration, we recommend the establishment of such expenditure controls in a serious deliberative process of meaningful shared governance around three questions that will result in greater fiscal and strategic discipline:*

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 ROI? (i.e., there should be a business plan that is drafted, reviewed, and interrogated)*

(b) *To redress the ongoing underinvestment in the university's production units, we recommend an historically informed baseline consideration of the costs entailed in producing the growth the university has realized in students (and credit*

hour production as well as graduation rates) and in grants productivity, with an eye to recalibrating investments in those units rather than taking a one year, arbitrary baseline from which to calculate overspending and propose cuts.

II. Arnold's 5/10/15% cut scenarios strategy & disaggregating the data & the action

On January 29th, John Arnold provided a Financial Update to the university community. During his presentation, he provided a bar chart entitled, *Widespread Overspending*, indicating that 61 of 81 units were in deficit, and identifying that pattern as the major cause of the university's current financial challenges. The plan of action stemming from that data and diagnosis has been that Arnold has tasked all 81 budget units' leadership to prepare 5%-10%-15% cut scenarios.

(a) *We recommend a more historical and transparent discussion and explanation of how the baselines for calculating "overspending" were done. In the December management committee meetings, in President Robbins' ABOR presentation, and in GFFRC's Fall 2023 analyses, it has been clear and agreed that the challenges we face are several years in the making and will be several years in rectifying and building back up the university's reserves. Thus, establishing an accurate baseline for calculating the balance between expenditures and revenues generated requires more than one year of data. In our analysis here, we work from the numbers in Arnold's "Widespread Overspending" bar chart, even though we are skeptical about the projected 90% increase in deficit (from $61M to $116M) from FY23 to FY24 (not to be confused with projecting a 90% increase in spending). We know that Arnold has stated these projections do not take into account the December 2023 cost containment measures put in place, so that the level of deficit will likely be less. Still, the scale of the projected increase calls for an explanation and possible reconsideration of the assumptions underlying the projected increase's calculations.*

The framing of the bar chart as evidence of "widespread overspending" somewhat exaggerates the data. Of the 81 units, 20 are balanced or are running surpluses, 20 are running less than $1M deficits, and 11 account for roughly 95% of the "overspending." Moreover, that framing 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, rather than punishing all units for the significant challenges of the relatively few.

The across-the-board financial plan of all units developing 5/10/15% cut scenarios does not fit the data. As was done in the past with across-the-board measures (like CFO Rulney's mid-year cut in January 2020 and the furloughs in Fall 2020), they failed to address and solve the core problem (of undisciplined central administrative spending), and harmed the many for the problems of the relative few. On the latter point, for example, a freeze on hiring (especially on tenure-track faculty) and program approval compromises academic units' ability to foster the enhanced revenue generation that John Arnold has identified as part of our challenge.

The nonsymmetrical treatment of academic and auxiliary units with respect to the freezes, and to new spending being restricted to 25% of "savings," is problematic from the standpoint of not only morale but also of retention. And the reassurance that, for example, contract renewals and raises have been funded by donors while freezes for faculty, staff, and student employees remain conveys a problematic message about priorities. Could not donors in the midst of a fundraising campaign also be asked to provide designated support for the Campus Pantry, for work study students, and for graduate student employees, to address the needs of the most vulnerable?

By not disaggregating the data to diagnose precisely where the most significant challenges lie, Arnold's 5/10/15% cut scenarios fail to disaggregate the plan of treatment to ensure that the particular sites of most "overspending" are addressed (in proportion to their "overspending"), all the more important in that "overspending" deficits, like interest, compound over time (so the largest deficits are the most important ones to address). The plan also subjects units that are in surplus or on the balance margins to a treatment that compromises them.

To correct course, and enhance fiscal and strategic discipline, we recommend:

(a) *To prioritize and protect the core, we recommend disaggregating academic from support and auxiliary units, and applying lesser levels of cuts/scenarios to the former, as was done in January 2020 with mid-year cuts that were 1.5% for academic and 3.5% for non-academic units.*

(b) *In recognition of the concentrated distribution of how many units account for ~95% of the overspending, we recommend disaggregating within the categories of academic, support, and auxiliary units, such that the cut scenarios approach is applied to those units with the most significant financial challenges and the units that are not facing significant financial challenges are not subjected to the exercise.*

(c) *In recognition of the need to generate more revenues, as John Arnold has articulated, we recommend that units develop 5 & 10% growth scenarios addressing what resources would be required to achieve particular levels of growth in productivity and efficiency.*

III. Prioritizing reductions in more senior administration at the central and college levels, but who is being served notice versus who is being bailed out?

Consistent from President Robbins' mid-December ABOR presentation to the present, there has been an articulated commitment to reducing senior administrative costs and positions. At present, beyond assurances from President Robbins and John Arnold that all senior positions are being reviewed, it is not clear what actions, if any, at that level are being taken to actually reduce costs and positions. Worse, there are some high-profile examples of senior level administrators who have stepped down but whose salaries have been continued (either on state money or through donor monies). It is hard to overestimate the negative fallout this has contributed to among employees and in the local and state communities we serve.

What is clear, however, is that the across-the-board 5/10/15% cut-scenario approach is contributing to a situation, though perhaps unintended, of deans, division, and unit heads beginning to essentially serve notice on or plan on non-renewing the most vulnerable student, staff, and faculty (e.g., career track) employees. Those who are most likely to be on the chopping block are those least responsible for the challenges we face. We have seen this happen before, as in the pandemic. It is important for President Robbins and John Arnold to bear in mind that the current financial situation comes just three years after staff and faculty were furloughed at levels far above any peer institution. The situation further undermines morale, and likely productivity.

Throughout the Fall 2023 semester, GFFRC has provided data calling attention to the decline in key categories of academic personnel (tenure track faculty and graduate assistants), despite a significant increase in student numbers, particularly since 2019, when numbers have increased from 45,918 to 53,187 in 2023. During this time period, the numbers of senior administrators (deans and above) increased dramatically at the central and college/unit level. The particular numbers vary by the data source and who is counted and how. But the trend line is clear, and the increases outpace the increased number of students. Recognition of this pattern has contributed to foregrounding the need to reduce senior administrative costs. Calling for such reductions is not a commentary on the individuals in those positions; it is a function of the trend line.

To correct course, and enhance fiscal and strategic discipline, we recommend:
(a) *Cut scenario targets of 10% & 15% should be set for senior positions in senior administration and in the budget units, prioritizing reductions in those positions before reducing positions and investments in graduate assistant, staff, and faculty positions.*

IV. UAGC reducing costs: Hopeful signs, realistic trajectories

Consistent from President Robbins' mid-December ABOR presentation to the present is an articulated commitment to reduce expenditures at UAGC, whose student numbers (and operating expenditures) have been declining since and after affiliation with the University of Arizona. On several occasions, President Robbins and John Arnold have spoken to how such a goal can be realized through reduced duplication of systems, personnel (especially administrative personnel), and programs, and that, too, is what GFFRC recommended in mid-December.

In a hopeful sign, an initial exchange with UAGC's VP for Finance, Lisa Kemp, for which we are very appreciative, indicates that already this year there have been reductions in operating expenditures on the order of $17.2M, such that the projected budget deficit in operating costs is now $2.4M. The operating costs reductions are about 6.9% of UAGC's operating expenditures, which is close to half of the reduction that GFFRC has recommended. The pace of those reductions reflects, as Kemp explained, a variable business, academic (open enrollment, flexible starts, and five-week programs), and staffing model (including a pool of Associate Faculty on five week contracts) that entails closing the books on a monthly basis.

At the same time, GFFRC cautions that moving forward, there should be realistic assessments and corresponding actions taken relative to the future trajectory of UAGC in enrollments as well as to the financial impact of UAGC on the University of Arizona. That entails an open, inclusive, deliberative process of addressing the three questions we pose for all initiatives:

1. ***Why are we doing this? (i.e., does it fit who we are—and that means going beyond the generalized discourse about land grant mission to concrete student outcomes in graduation, debt, default, and job placement);***
2. ***Can we afford to do this within our budget? (i.e., can we sustain the cost over time); &***
3. ***What is the realistic ROI? (i.e., there should be a business plan that is drafted, reviewed, and interrogated)***

The recently (2/20/24) released report by ABOR Chair Fred DuVal and ABOR Executive Director, John Arnold to Governor Katie Hobbs falls well short of meeting that standard, as do the ongoing claims of UAGC's exclusively and extremely positive financial impacts.

To correct course and enhance fiscal and strategic discipline, we recommend:

(a) *A continued search for rightsizing of administrative personnel through reduced duplication of positions given the merger, with a target of 15-30% over time, even as we realize UAGC remains a distinct enterprise compared to the UofA main campus.*

(b) *A continued search, including through shared academic governance processes (e.g., of program review) for review and reduction of overlapping programs.*

(c) *A deliberative, realistic assessment of the financial impact and strategic potential of UAGC. On the financial impact, as just one example, the days-cash-on-hand brought by UAGC in mid-2023 falls well short of ABOR's 140 days cash on hand metric, with obvious implications for the UofA overall in meeting that metric. On the strategic potential, we understand that UAGC officials project substantial growth in student numbers in the future. The long term and continuing trend line of student numbers, both before and after affiliation, along with the patterns in that segment of postsecondary education warrants healthy skepticism about the prospects of reversing the trend line to realize major growth, and to invest accordingly.*

V. Athletics: Getting realistic, getting the facts, getting to a balanced budget

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

Certainly, most Athletic Departments do run at a deficit, and are subsidized by main campus as well as in many cases a small student fee, although that was true nationally well before the pandemic and recent changes in college athletics, as studies have shown (Cheslock & Knight, 2015)[1]. However, just as certainly, some Athletic Departments do not run deficits, as the apparent success of the new Athletic Director, Desiree Redd-Francois at the University of Missouri (where she balanced the budget of a department running in deficit) attests. Here are the facts:

> * Although the great majority of Athletic Departments lose money, 17 of the roughly 53 "Power Five" conference schools do not. (NCAA, 2023)[2]
> * Among those Power Five schools, only 6 run deficits at a level such that they receive > 15% of their monies from main campus. (NCAA, 2023)[2]
> * ***The University of Arizona in 2023 received a larger subsidy (slightly over 25%) than any other Power Five school on 2023 (and that is on top of subsidies from main campus of $56.5M from 2016-2019 (pre-pandemic), and $69M in 2021 & 2022, and beyond that, starting in 2018, a student fee was established, generating another $1M+ in monies for athletics).***

To correct course, and enhance fiscal and strategic discipline, we recommend:

(a) *The new AD, Desiree Reed-Francois, as she has done at Mizzou, reign in the overspending and find creative ways to increase revenues, and collaborate with representatives of the academic side of the house in working through these matters.*

Among the measures that GFFRC has recommended are:

> * Increase in ticket prices, which the management committee indicated were likely
> * 20% reduction in Athletic Administration, through attrition, retirement, layoffs more at the senior level, than at the mid- and lower levels.
> * freeze coaches' salaries, with any raises being paid by donors
> In speaking to this measure, GFFRC expresses profound disappointment and concern that the UofA utilizes donor support to supplement coaches' salaries, but does not draw on donor funds to support the campus pantry for food-insecure students (and staff) and investments in the academic side of the house, including support and recruitment of faculty and graduate assistants.
> * freeze hiring of coaches
> * reducing scholarships, to be counterbalanced by increased support from donors
> * Meaningful shared governance involvement in and oversight of these increased efficiencies.

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[1]Cheslock, John J., & Knight, D. B. (2015). Diverging revenues, cascading expenditures, and ensuing subsidies: The unbalanced and growing financial strain of intercollegiate athletics on universities and their students. *The Journal of Higher Education*, *86*(3), 417-447.

[2]NCAA Finances (2023, June 13). NCAA Finances: Revenues and expenses by school. USA Today. From https://sports.usatoday.com/ncaa/finances

VI. A plan for managing enrollments more efficiently and effectively, with local knowledge and opportunities

For at least five years, the UofA has been discounting merit aid to such an extent that rather than the aid leveraging increased revenues (the standard practice), it led to significant losses of revenues, in the ballpark of $26-36M annually. That has been doubly problematic in that the UofA is spending money on providing aid, and draining monies from its reserves to do so, and at the same time given the level of subsidy to students units are getting undercompensated for the student credit hours they are generating because of the foregone tuition revenues—therein lies part of the "overspending" problem. It is to some degree less overspending than undercompensation for the increased productivity in educating more students. Increased expenditures are more a function of volume (students, as well as grants), not increased expense per unit of productivity (i.e., undisciplined spending).

The discount rate in 2019, as reported by then-CFO Rulney to department heads in June 2020, was 33% (at a loss of $26M). That rate has gone up to 43% in 2023, and reduced slightly to 41% in 2024. All of our university peers tuition discount, but we are towards the top end of peers. This was a problem as early as 2019, flagged by Moody's bond rating reports, which pointed then to the declining operating cash flow margins due to investments in student financial aid to build a stronger student quality profile. Ironically, the metric in US News & World Report has since changed to reduce the influence of the student test score metric on rankings. It should be emphasized that central administration tasked Enrollment Management with getting "better" students and was (or should have been) aware of the high level of tuition discounting of merit aid and its adverse impact on reserves and days cash on hand.

The issue and problem of tuition discounting of merit aid is likely more widely acknowledged than it is fully understood. Whatever one's level of understanding, though, one concern that most people share, and that has been articulated by President Robbins is that cuts in the level of merit aid will significantly reduce student enrollments.

A plan for scaling back, from VP Urquidez. As GFFRC Chair, Gary Rhoades has done publicly, repeatedly, in presentations to the Faculty Senate, we applaud VP of Enrollment Management, Kasey Urquidez for developing multiple models of how to incrementally scale back tuition discounting, saving ~$10-12M/year, accumulating to ~$40-48M in the fourth year, with an estimated loss of enrollment of ~1,300 students. The estimates of the latter stem from extensive consultation with advisory groups. We thank VP Urquidez for so clearly and consistently providing GFFRC with information and responding to our questions.

A plan for mitigating lost students (and revenues). In talking with VP Urquidez, the Dean of the Honor's College, John Pollard, and with folks associated with HSI initiatives, GFFRC believes there are several potential avenues for working to mitigate the loss of enrollments from reduced merit aid packages. Those avenues and strategies address at least two areas for potential growth that have been insufficiently tapped—a changing demographic of the school age population and the opportunity to increase enrollments from community college transfer students. There is distinct local and regional knowledge and opportunities that can be leveraged.

With regard to tapping more into the new school age demographic, extend/replicate a creative initiative piloted in the Sunnyside Unified School District, which entails a partnership between the school district, Enrollment Management, and an academic college (College of Education), to fund a recruiter in the district and a range of activities to promote matriculation of qualified applicants to the University of Arizona. For three years running, the Sunnyside initiative has yielded 200+ matriculants annually from Sunnyside's two high schools, which now are the top two high schools nationally in number of matriculants to the UofA. Tracked through National Student Clearinghouse data, those students are outperforming UofA averages in persistence.

With regard to increasing community college transfer enrollments, including of transfer students, Dean Pollard of the Honor's College feels strongly that (a) they can mitigate the loss of honors students even with reduced aid packages with the programming and niche they've established, and (b) they can leverage an increased number of transfer honor's students (the number is ~ 10% now, and one of those Honors transfer students is wanting to work on expanding that percentage). Moreover, given the consortium of HSI's that Marla Franco has developed, GFFRC could imagine initiatives in community colleges in the region and out-of-state, similar to the Sunnyside pilot, to boost our transfer population.

The above initiatives are designed to mitigate potential losses of enrollments due to reduced merit aid by tapping into the demographic shift in our region and nationally, and to more fully center our mission as a public research university that is a Hispanic Serving Institution.

To correct course and enhance fiscal and strategic discipline, we recommend:

(a) *Rather than relying on and paying for external consultants who have limited to no knowledge of the particulars of our university and region, the university should support and foreground collaborations between VP Kasey Urquidez, various academic and support units on campus, and partners in select school districts, community colleges, and tribal colleges to the end of increasing enrollments of underserved, transfer, and Honors students locally and regionally (statewide, but also in the contiguous out of state region).*

(b) *Reinvesting 10% of the savings realized from reduced merit aid to scale up existing pilot initiatives and pilot new initiatives to stimulate more Latinx applicants (with more arrangements like in Sunnyside Unified School District), more transfer applicants from community colleges and tribal colleges, and more Honors applicants (partially through ramping up an initiative already in place to increase Honors college transfer students beyond the current ~10% level).*

(c) *Pursuing possibilities in the recruitment of the very large market of students with some college but no degree, through opportunities that VP Urquidez is exploring.*

GFFRC notes that overrising attention has been devoted to undergraduates and their tuition. We suggest that serious consideration be given to the tuition charged at the university's medical schools If the latest approval of the global MD is an indicator, with a $75k/year tuition benchmarked against other programs, then our current tuition continues to be a relatively low, and the possibility of increasing it should be seriously explored.

VII. Upsizing and reinvesting in a wrong-sized workforce

The years, sometimes decade-long trend in the University of Arizona's staffing is a reduction in the number of graduate assistants and of tenure track faculty, and a worsening of the ratio between students and the staff and career track faculty who serve them, even as central administrative positions at the central and college/division level have substantially increased.

The UofA has been spending less on educators and researchers and more on senior administrators., even as student numbers have increased substantially. It has been wrong-sizing the academic workforce and compromising our missions as a public research university and in educating students, who are paying more for less access to the people who serve them. And the current financial plan is already perpetuating and amplifying that trend.

In 2022, only 10% of new faculty hires were on the tenure-track, down from 24% in 2017.
The tenured and tenure-eligible share of the faculty workforce declined from 47.1% in 2013 to 44% in 2021. Those numbers and trend lines are not the path to sustaining, let alone enhancing our work as an AAU institution.

Although non-tenure track faculty (career track, part-time) numbers increased during the same time period by ~20%, that increase was considerably less than the increase (27.6%) in undergraduate student numbers (continuing eligible faculty numbers were stagnant).

Aggregating all categories of faculty, their share of total personnel expenditures has declined from 41% in 2015 to 36% in 2023.

Between 2014 and 2023, graduate assistants decreased from 2,873 to 2,785, reflecting a 3% decrease. Over the last three years, between 2021 and 2023, graduate student employment trends have decreased in proportion to graduate student enrollments and despite an uptick in undergraduate student enrollments. With the exception of full-time research assistants, the percent change in the ratio between graduate student employment figures and total graduate student enrollments, decreased over the last three years: Part-time RA (-7.2%), part-time TA (-6.25%), part-time GA (-47.4%), full-time TA (-6.94%), and full-time GA (-1.52%).

In sum, we have been disinvesting in academic employees, even as we have invested more in senior administrators at the central and college levels.

Working on staff numbers, with the input and insight of Melanie Madden, Chair of the Staff Council, and her colleagues, we provide the following data. Longitudinal analysis is complicated by the restructuring of staff categories in 2019. And 2019 is an important point of departure for analysis because of the pandemic. Compared to other categories of full-time employees, staff numbers have been most adversely affected by the pandemic (also disproportionately hit were undergraduate student workers, graduate assistants, and career track faculty).

From 2019 to 2023, total staff numbers increased 1%. The 2023 numbers are a recovery from a 9% decrease from 2019 to 2021. However, from 2019 to 2023, student numbers increased ~16%. As Madden and her colleagues rightly point out, staff workload has increased. On a longer timeframe of 2014-2023, staff numbers increased 9%, compared to a 25% increase in enrollments. ***In sum, the university has been disinvesting in those who support our students and faculty.***

To correct course, and enhance fiscal and strategic discipline, we recommend:

(a) *At the university and college levels, 3-5 year plans should be developed in collaboration with faculty governance bodies and Graduate and Professional Student representative bodies to recalibrate academic staffing so as to invest more in graduate assistants and tenure-track faculty positions, and so as to enhance the support, working conditions, and job security of career track faculty. With regard to tenure-track faculty, the planning should include attending to the demographic profile both in relation to rank (hiring more junior faculty, whose numbers have remained stable over time) and to gender and race/ethnicity and disability status.*

(b*) At the university and college levels, 3-5 year plans should be developed in collaboration with the relevant staff councils so as to invest more in staff positions, salaries, and enhanced working conditions, given that the consensus across campus is that we are losing staff members and having a harder time recruiting staff members given the deteriorating working conditions and environment. This should not translate into top-down "audits" of staff work, which are generally and rightly interpreted and experienced as "do more with less" exercises in "rightsizing" staff.*

(c) *As did the staff council, GFFRC believes that cuts and other financial measures should first and foremost be applied to senior administrative positions centrally and locally.*

Appendix A