General Faculty Financial Recalibration Committee (GFFRC)

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

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March 11, 2024

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Summary of Issues, & GFFRC Analysis & Recommendations

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2. Arnold's 5/10/15% cut scenario strategy, & disaggregating the data and the action
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1 Decentralization-was-the-problem narrative or central spending

Competing Narratives	GFFRC Analysis and Recommendations
Where was the undisciplined "overspending" centered? President Robbins has said, **'we made a bet on spending money...we just overshot**,' & then-Chair DuVal has said, "**there were investments, strategically made, which we could not afford**." Two areas of such investment were aggressive tuition discounting with merit aid and strategic initiatives. At the same time, **ABOR members & management have blamed the financial situation on the undisciplined and widespread overspending by budget units due to "decentralized" budgeting systems that left budgetary authority at the local level.** Yet, the two storylines are connected. Totaling up the net tuition revenue losses (due to aggressive discounting) of \$26M-36M annually over 5 years, & the \$146M over 4 years (~36.5M annually), and you get close to the annual "overspending" of the budget units. **Units have been getting undercompensated for their productivity and overtaxed by a previous provost and CFO** who implemented various taxes and adjustments to the payout for SCH productivity, as well as incentivized and actively encouraged units spending down reserves.	Clearly, there have been insufficient to nonexistent expenditure controls on central administration spending & on their leveraging budget units spending down reserves over a number of years. *<u>To correct course, GFFRC recommends:</u>* (a) **Establishing expenditure controls on central administration** by way of subjecting such spending initiatives to a serious deliberative process of shared governance, including with representatives of deans and heads around three questions that will result in greater fiscal and strategic discipline. The three questions are: 1) Why are we doing this? 2) Can we afford to do this within our budget? 3) What is the realistic return on investment? (b) Establishing 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.**

2 Arnold's 5/10/15% cut scenario strategy, & disaggregating the data and the action

The issue: Arnold's plan does not fit the data	GFFRC Analysis and Recommendations
The projected 90% increase in overbudget spending is overstated and problematic, given that it does not take into account measures (e.g., freezes) put in place to reduce the deficit, and is based on a one year analysis extrapolating from patterns (e.g., in units spending down reserves) that are not being replicated. The framing of John Arnold's bar chart from the January 29th presentation 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**.	*To correct course, GFFRC recommends:* (a) 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) 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) Encouraging units to develop **5% and 10% growth scenarios** addressing what resources would be required to achieve particular levels of growth in productivity and efficiency.

Across-the-board cut scenarios & freezes punish & harm the many for the problems of the relative few.

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

Summary of the Issues	GFFRC Analysis and Recommendations
President Robbins has consistently articulated commitment to **reducing senior administrative positions**. Beyond indications that all senior positions are being reviewed, it is not clear what actions are being take to cut senior administrators. In the Fall 2023 semester, GFFRC provided data indicating the **disproportionate and significant growth of senior positions in central (asst/assoc) vice provosts and above) in college/division administration (asst/assoc dean and above)**, even as the numbers of tenure-track faculty and graduate assistants declined, and the numbers of staff remained relatively stable since before the pandemic. **It is time to recalibrate.** **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.	<u>*To correct course, GFFRC recommends:*</u> (a) **Cut scenario targets of 10% and 15% be set for senior positions in senior administration** and in the budget units, prioritizing those reductions.

4 UAGC reducing costs: Hopeful signs, realistic trajectories

Summary of the Issues	GFFRC Analysis and Recommendations
Prioritizing disproportionate reductions of UAGC, in line with its trendlines & GFFRC's recommendations, President Robbins has consistently 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. In the February 20, 2024 report from then-ABOR Chair DuVal and Executive Director John Arnold, there continues to be **an incomplete recounting of decision making in the past, and accounting of financial and other impacts of UAGC on the UofA in the past and future**. There also continue to be significant potential and real liabilities, immediately of increased days cash on hand required given the bringing of UAGC onto the UofA's books, and not least in the possible Department of Education action regarding $72M of financial aid recovery. There also continues to be a seeming lack of transparency in deliberations about next steps, as in the recent InsideHigherEd story (March 7, 2024) on **possible impending amalgamation of UAGC and the UofA."**	*To correct course, GFFRC recommends:* (a) Prioritizing a continued search for **reduced duplication of personnel** given the merger, even as we realize UAGC remains a distinct enterprise compared to UofA's main campus. (b) Emphasizing a continued search for **review and reduction of overlapping programs**, even as we realize the different student populations served by UAGC and UofA. (c) Engaging in a **deliberative, realistic assessment** of the financial impact and strategic potential of UAGC

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

Summary of the Issues	GFFRC Analysis and Recommendations
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 departments nationwide losing money. Most do run at a deficit, a fact that was true well before the pandemic. However, some do not, as the success of the new Athletic Director, Desireé Reed-Francois at the University of Missouri underscores. Of the 53 Power Five schools, 17 do not run a deficit. Being subsidized by main campus for slightly over 25% of its operating expenditures, **among Power Five schools, the University of Arizona in 2023 was the worst in running a deficit.** That subsidy was on top of a $69M "loan" in 2021 and 2022, as well as $56.5M from 2016-2019. Moreover, John Arnold has projected another $32M deficit this fiscal year.	*To correct course, GFFRC recommends:* (a) Working with the new Athletic Director 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) Developing a plan to not just balance the budget but **repay the $69M in loans** made to Athletics in 2020-2021. (c) Engaging in meaningful shared governance involvement in and oversight of these increased efficiencies

https://tucson.com/news/local/education/college/university-of-arizona-faces-difficult-challenge-in-trimming-sports-budget/article_7cfaa8e6-826d-11ee-b974-8f5f93363c67.html

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

Summary of the Issues	GFFRC Analysis and Recommendations
VP for Enrollment Management, Kasey Urquidez, has already **modeled several strategies for reducing \$10-12M annually and \$40-48M cumulatively in the four years in lost net tuition revenues**. The aggressive tuition discounting of merit aid and the corresponding loss of net tuition revenues is a central part of what underlies the under-compensation of academic colleges for their production of student credit hours. They are not just under-resourced, but under-compensated. **The relationship between the tuition discounting and the under-compensation of colleges was clear as far back as January 2020**, when then-CFO Rulney explained to department heads that there would be a mid-year takeback from academic and support units, largely because of lost net tuition revenues due to discounting at a 33% rate (the rate is now around 41%). It is a several year pattern that will take several years to remedy, as VP Urquidez is proposing. VP Urquidez estimates, after much consultation and deliberation with advisory groups, that **the scaling back of merit aid awards will lead to a reduction of about 1,300 students**. It is not a matter of going cold turkey on merit aid awards. It is possible to mitigate the estimated losses with several strategies, which VP Urquidez is pursuing and which GFFRC is discussing with her.	*To correct course, GFFRC recommends:* (a) Implementing the savings modeled by VP Urquidez, which translates into **those monies being distributed back to the academic units** that generated them, being built into models of balancing unit budgets over time and building up the university's days cash on hand. (b) **Reinvesting the 10% of the realized savings (which will accumulate each year)** 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 or increase enrollment in key realms in keeping with our mission and values. (c) **Supporting and foregrounding 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), rather than relying on and paying for external consultants who have limited to no knowledge of the particulars of our university and region. (d) 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.

7 Upsizing and reinvesting in a wrong-sized workforce

Summary of the Issues	GFFRC Analysis and Recommendations
The UofA 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. 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. Management's 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.	*To correct course, GFFRC recommends:* (a) Implementing 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. (b) Focusing on 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.

Employee Type	FY 2014	FY 2023	Percent Change
Administrators	168	241	43.5%
Staff (Classified & Other Appointed)	9,430	10,288	9.1%
Graduate Assistants	2,873	2,785	-3.1%
Non-Tenure Faculty (Adjunct, Career, Continuing)	1,696	1,992	17.5%
Tenure & Tenure Track Faculty	1,563	1,543	-1.3%

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Closing thought: What happened over time to get us to this point, & What to do going forward in a two-step process over time

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.

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