Minutes  
Wednesday, January 22, 2020  
8:15-9:45am Old Main Boardroom

Present:  

Absent:  

Observers:  
J. Dudas, A. Miller, A. Romero

Presenter(s):  
Liesl Folks, Senior Vice President for Academic Affairs & Provost; Lisa Rulney, Senior Vice President for Business Affairs & CFO

Call to Order  
Co-Chair Helm called the meeting to order at 8:16 am

Approval of the Minutes of December 4, 2019  
The December 4, 2019 minutes were approved.

Presentation/Discussion Topic: Budget Reallocation FY2020 & Process  
Liesl Folks, Senior Vice President for Academic Affairs & Provost; Lisa Rulney, Senior Vice President for Business Affairs & CFO

Folks and Rulney provided information to the committee regarding the budget reallocation process, including the critical needs addressed through the process, communications, timing, and future reallocations. Rulney outlined concerns regarding pay equity which UA needed to start addressing, structural deficits, and limited future growth opportunities. She provided details about growth in philanthropic opportunities, increased brand awareness, and growth in research activities. Rulney presented details on threats to growth including possible future economic downturns and continued divestment in public higher education.

Rulney also presented information from the Comprehensive Annual Financial Report (CAFR) prepared under Nicole Salazar, Vice President, Financial Services. Information from the report included:

- Flattening of net tuition and fees ($14,905/student) and state appropriation decreases ($6,259/student)
- Education and general operating costs have increased as enrollment has increased
- This year UA admitted the best qualified cohort of students ever, with a discount rate of 33.6%.
- Importance of out of state and international enrollment in relation to tuition revenue.
- UA maintains 90-180 days of cash on hand.
A leadership memo was sent December 5, 2019 to the president and senior leadership team because of net tuition flattening. Rulney explained the lack of perm dollars need for reallocation to solve issues and address critical needs. The budget was updated in the fall and the reallocation will be implemented this spring. Rulney shared information with the committee covering:

- Development and fundraising activities
- Marketing and branding
- UITS budget size to address inflation and impact from software licensing costs
- Impacts of increased subscription costs associated with libraries, reviewing subscriptions and possible open source solutions
- Diversity and Title IX investments
- Investments in HR associated with UCAP and upcoming projects
- Investments in commencement, sustainability, optical sciences, and other institutional administration
- $5.2 million has been set aside to address critical needs in colleges. Provost Folks will work with Deans to deploy funds

A total of $30.6 million has been reallocated this year and Rulney explained support units will have a higher base budget cut (3.5%) because they are not on activities-based budgeting. Rulney expressed the need for the entire institution to play a role in the reallocation process. She also provided information on the increase in RCM tax rates (increased by 1% for undergraduates, .4% for graduates, and 1% for distance/online). Changes in assessments will impact units differently based on their activities and RCM changes will impact in 2021.

Net tuition revenue will be down $26 million due to changing demands/expectations from students and the higher discount rate. Rulney also discussed RCM changes that will be implemented with changes to GenEd, as changes cannot occur to one without affecting the other. The revamping of GenEd will occur in the fall of 2021.

Committee members discussed with Rulney and Folks the current role and future of SPBAC in the budget process and expressed concerns about the impacts of budget cuts on graduate student funding, job security, and grad recruitment. Folks provided information on providing appropriate pay for graduate students within the constraints of the budget cut. She provided the example of the University of Chicago and the limiting of PhD student numbers and time limits on degree completion. Folks stated the highest priority should be placed on supporting PhD students. Members discussed the need for communication of specific information to graduate students and asked questions regarding the message they receive about their financial futures.

Members expressed frustration with the current role of SPBAC as a “sounding board”, voiced the need for greater active input in the budget process at the choice point, and asked for a definition of sustainable growth. Members discussed a desire to generate FAQs to assist with possible questions and concerns that arise out of major budget decisions such as reallocation.

The committee members discussed support of online programs and discussed with Folks the possibility of normalizing all tuition revenues so online/global revenues are not treated as different models. Concerns were expressed around budget model changes and members discussed the need for forecasting tools for enrollment.
Co-Chair Helm suggested SPBAC should not be included as an afterthought in the strategic planning process, the committee could work in smaller groups for focused feedback, the SPBAC schedule could be changed to focus on recurring budget themes, and data updates could be integrated into each meeting session.

**Updates**

**Lisa Rulney, Senior Vice President and Chief Financial Officer, Business Affairs**

Rulney informed the committee about the involvement of President Robbins in Senate and House appropriations hearings. Rulney provided highlights of the governor’s proposed budget including:

- $35 million in ongoing (perm) funds as a New Economy Initiative for all Arizona universities; UA will receive $11.2 million (32% of total). Funding will be focused on health sciences, space, and physical sciences because of the legislature’s focus on the workforce and worker shortages.
- Proposal to continue $35 million in temporary or current funds; UA will receive 27% or $9.4 million based on resident enrollment.
- $10 million in the form of a one-time state match for competitive grants.
- A proposed $1 million one-time investment in the Arizona Teacher’s Academy.

**Betsy Cantwell, Senior Vice President for Research, Innovation, and Impact**

Cantwell proposed an idea for a future meeting to discuss the Technology and Research Initiative Fund (TRIF).

**Adjournment**

The meeting was adjourned at 9:44 a.m.