Minutes
Wednesday, August 5, 2020
9:00-10:30am via Zoom


Absent: M. Burke, P. Dourlein, S. Keim, I. Kron, J. P. Rocznia


Presenters: Liesl Folks, Senior Vice President for Academic Affairs and Provost; Craig Wilson, Vice Provost, Online and Distance Education; Brent White, Vice Provost, Global Affairs

General Faculty Financial Advisory Committee (GFFAC): Scott Cederburg (GFFAC Co-chair), Jessica Summers (GFFAC Co-chair)

Call to Order
Co-Chair Helm called the meeting to order at 9:01am

Approval of the Minutes of July 1, 2020
Approval of the minutes of July 1, 2020 was deferred to August 19, 2020 in order to incorporate responses from presenters.

Presentation: GFFAC Recommendations on Debt/Financing/Borrowing/Credit
Scott Cederburg (GFFAC Co-chair), Jessica Summers (GFFAC Co-chair)

Summers introduced the members of the committee and Cedarburg provided an overview of GFFAC’s recommendations. He stated the committee advocated for the use of debt to either augment or replace the furlough program. This would spread pandemic-related deficits over a longer period of time and provide relief to current employees facing furlough or layoff. Cedarburg gave an overview of borrowing

1 Questions asked on chat that remained unanswered during the regular meeting were forwarded to the relevant presenters for follow-up reports and answers. Presenters’ resulting answers are marked as “follow-up” in the minutes.
under Arizona state law and indicated bonds, commercial paper, and a line of credit were borrowing options. The committee suggested several alternatives to the furlough program including:

- Short-term alternatives such as using cash reserves or a line of credit.
- Intermediate-term alternatives such as the potential of ABOR and the Arizona Legislature changing laws for issuing bonds or potential federal stimulus funding.
- Long-term alternatives such as lobbying on state allocations; selling auxiliaries; selling buildings; and strategic decisions about spending.

Members of the committee asked for details on the pros and cons of borrowing and also about the timeline for repayment. Cedarburg indicated a major benefit would be relief to employees facing furlough and stated the repayment time would need to be fairly quickly. Members expressed concerns regarding establishing a short-term line of credit and the possibility of not being able to establish long-term solutions such as bonds.

Presentation: Review of Ashford Acquisition

Liesl Folks, Senior Vice President for Academic Affairs and Provost; Craig Wilson, Vice Provost, Online and Distance Education; Brent White, Vice Provost, Global Affairs

White presented to the committee about the process of the acquisition and explained need for non-disclosure agreements during the acquisition because of possible effects on Zovio stock. He provided details on the acquisition of Ashford University, stating a separate, non-profit university named UA Global Campus will operate through an affiliation agreement with the University of Arizona. He said UA Global Campus will purchase the assets of Ashford University for $1 and will enter into an agreement with Zovio, the parent company of Ashford University, to provide online program management services.

Wilson explained the reach of the acquisition and said the UA Global Campus will launch with over 35,000 students. Associate’s, Bachelor’s, Master’s and Doctoral degrees will be offered, and the new institution will serve both domestic and international students. Wilson stated the acquisition will provide a large pipeline for students to the UA main campus. Wilson provided information about the student demographics of Ashford University, stating: 89% of Ashford students are over 25, 71% are women, and 25% are connected to the military. He stated 56% of Ashford students were Pell Grant recipients.

Wilson said the acquisition of Ashford will allow for rapid growth through expanding UA impact in other markets and attracting other kinds of students. He said currently 80% of Arizona Online students are in either Arizona or California while Ashford students are in the Southeast and Northeast USA.

Wilson gave an overview of the Ashford degree programs and stated of the 140 degrees offered, only about a dozen overlapped with programs at the University. He also spoke about the current state of online education at UA.

White spoke about the online strategies of Southern New Hampshire University and said a low-cost subscription model is needed in order to attract students on a global scale. He stated online education was the way to serve the global market. He highlighted the importance of delivering classes in local languages.

Wilson gave an overview of academic quality at Ashford including:

- 50 academic starts per year; 5-week classes
- 14:1 student-faculty ratio; Class size capped at 40 students
-WSCUC accredited
- Leads country in courses certified by Quality Matters
- Offers 24/7 student support services at no additional cost; Predictive flagging technology to identify at-risk students
- Provides an academic challenge that ranks with the top 10% of four-year colleges in the US

White provided information about tuition and fees and stated Ashford tuition is in line with the average. Further details included:
- National average at 4-year institutions is $701
- Average cost per credit for 4-year not-for-profits is $964
- Ashford average discount rate is approximately 35%; bringing the average discounted tuition to less than $350 per credit.

Wilson gave an overview of retention and graduation rates at Ashford, stating the FTFT retention rate is 23% and the FTFT graduation rate over (6 years) is 9%. He shared further details, including:
- The FTFT category excludes 83% of Ashford students who are transfer students
- Ashford students that identify as primarily working students (70%) complete their degrees at 20% (almost twice the national average)
- True persistence rate is 69% (Proportion of Ashford students active one year who either graduate or attend any school the following year)

Wilson also informed the committee regarding the qualifications of Ashford faculty, stating over 30% of full-time faculty hold degrees from top 100 colleges, over 50% of faculty hold a PhD or doctoral degree, and 47% of Forbes School of Business faculty held director or higher positions. White also outlined challenges associated with Ashford, including past allegations of aggressive marketing and debt collection, federal and state investigations, declining enrollments, and low retention/graduation rates. He said that retention/graduation rates at Ashford were in line with universities that serve similar populations but were not high enough for the University of Arizona and would be a focus of improvement. White added Ashford was accredited by WSCUC and current practices at the institution were evidence of Ashford’s commitment to operate with integrity.

White gave an overview of the due diligence of the deal with Ashford and said analysis was overseen by former Provost Jeff Goldberg and reviewed by a range of University of Arizona faculty and administrators. He said the potential concerns uncovered by the University’s assessment were either issues in the past that had been corrected or could be corrected under the new model. He also listed changes to Ashford under the University of Arizona Global Campus, including:
- Control over marketing and debt collection practices
- Strict oversight to ensure compliance with federal and state regulations
- Complete control over academic programs
- Joint Academic Advisory Committee (equal parts UA faculty and Global Campus faculty)
- Commitment to increasing retention, graduation and persistence rates within 5 years

A financial overview was provided by White, including minimum revenue information. White indicated after Zovio’s costs are paid, it is entitled to a 10% participation fee. He also said the arrangement will not be similar to Purdue Global’s which lost money in years 1 and 2. He broke down revenue into three timeframes:
- At Closing ($54m): Ashford assets are purchased for $1; $16.5m in working capital transferred to UA Global Campus; $37.5m pre-payment on 15-year income guarantee
- Years 1-5 ($125m): $25m per year minimum operating guarantee to UA Global Campus; First 1.5 years paid in advance at closing
- Years 6-15 ($100m): $10m per year minimum operating guarantee to UA Global Campus
Wilson added the value of the curriculum was not included in these figures and it would take $30,000 to design a course. He said with the acquisition UA Global Campus would acquire $40m worth of courses. White added the courses could be plugged into D2L and that UA Global Campus locations could serve as points for students to get access to support services such as broadband access.

White also provided an overview to the committee of arrangements between other universities and Online Program Managers. Wilson indicated Online Program Managers typically cover areas of marketing, course design, and student support in exchange for a share of revenue. He provided information on initial revenue options, including:

- Transfer $20m to the University of Arizona and leave $34m total in Global Campus for working capital and curricular improvement & support student success
- Use UA portion for any or all of the following:
  - Furlough relief
  - Scholarships for main campus or Arizona online
  - Direct support to colleges facing financial hardship
- Leave all $54m total in Global Campus for working capital and curricular improvement & support student success

White indicated that liability over past actions at Ashford does not transfer with this acquisition. He added that should UA Global Campus fail the University would have no liability. If new legal issues arise at UA Global Campus the University would not be liable.

White concluded the presentation by providing details regarding global access to education in relation to the Ashford acquisition, including:

- The acquisition allows for the ability to set tuition at local market prices and eventual ability to deliver in multiple languages
- Zovio receives no share of revenue from students outside the US.

**Presentation Questions and Discussion:**

Committee members asked Wilson for further information about the visibility of faculty on the Ashford website and rates of compensation. He responded many online institutions do not preview or list faculty on their websites and stated the compensation range for Ashford faculty was in line with, or sometimes better than, adjunct faculty at UA.

Members submitted questions to White about branding considerations and possible damage to the UA brand that may emerge from the acquisition. White responded a marketing research firm was employed in the process of determining a name for the new UA Global Campus. He referred to other institutions with similar online arrangement to provide examples of impact on overall university branding. He indicated the ranking for Purdue Global did not affect the overall ranking for Purdue.

Members asked White for further information about how courses may be delivered in languages other than English. White responded language localization would be dependent on the type of program and gave an example of the law program as an area that would not be appropriate for another language.

Committee members asked White about lawsuits and liabilities associated with Ashford. White responded by clarifying that UA Global Campus is purchasing the assets of Ashford, not the University of Arizona and Ashford will cease to exist as an entity. He said the acquisition will move the assets and not the liabilities of Ashford over to UA Global Campus. Any outstanding lawsuits for past acts and future lawsuits will not come with Ashford.
A committee member asked White for clarification of the decision-making process surrounding the acquisition and the role of faculty consultation. White responded with an overview of the SPBAC letter regarding the Ashford acquisition and highlighted financial benefits and legal concerns. He stated some faculty who were consulted were in favor, some were opposed, and some were in the middle. He also stated the due diligence was conducted covering HR, academics, and other areas. Additionally, White indicated projections were made regarding enrollment drops and protections against legal risks.

Co-Chair Brummund asked White about the specific status of the acquisition and if feedback should be offered on what to do after execution of the acquisition. White responded that feedback should be geared toward making the acquisition work. He stated the agreement would close in December and Global Campus would launch in January or February.

Updates

Barry Brummund, Co-Chair of SPBAC
Brummund thanked committee member Kathy Whisman for her service.

Steven Moore, Senior Vice President, Chief Marketing/Communications Officer
Moore informed the committee members of positive publicity for UA COVID-19 testing programs.

Jessica Summers, Chair of the Faculty
Summers updated the committee on the recent Faculty Senate meeting and stated she was working to organize a special Faculty Senate meeting regarding the acquisition of Ashford University.

Liesl Folks, Senior Vice President for Academic Affairs and Provost
Folks updated the committee that she is working with Co-Chair Helm for more time to address committee member’s questions from the previous SPBAC meeting. She expressed excitement about the start of the fall semester and the return of students to the dorms. She said testing programs would be wrapping up to be ready for all students returning to campus to be tested. This testing program will be extended to all faculty and staff intending to be on campus. Folks stated every aspect of operations are being adjusted to reduce the spread of the coronavirus.

Folks responded to a committee member question regarding the planned phase-in of classes on August 24, August 31, and September 8. She confirmed that is the established plan and COVID cases in Arizona continue to trend downward. She said she hoped measures would remain in place to continue downward trend and a culture of compliance would be created regarding face coverings.

Adjournment
The meeting was adjourned at 10:34am.