
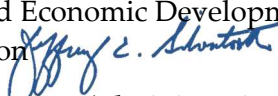




## MEMORANDUM

**DATE:** April 29, 2020

**TO:** Liesl Folks, Senior Vice President for Academic Affairs and Provost  
Lisa Rulney, Senior Vice President for Business Affairs and Chief Financial Officer

**FROM:** Shane C. Burgess, Vice President for Agriculture, Life and Veterinary Sciences, and Cooperative Extension   
Jeffrey C. Silvertooth, Director, Extension and Economic Development & Associate Director Arizona Experiment Station   
Jeffrey M. Ratje, Associate Vice President, Finance, Administration and Operations, Agriculture, Life and Veterinary Sciences, and Cooperative Extension   
Carolyn Greeno, Director, Finance and Administration, Cooperative Extension 

**SUBJECT:** **University of Arizona Financial Mitigation Plan and The Cooperative Extension System (CES).**

Because the CES operational base budget is funded by a separate state budget line (78%), Federal capacity funding within the Act (10%), and 12% ICR, we request that the University of Arizona Cooperative Extension System (CES), a unique and federally mandated component of the University's 1862 land-grant mission (Smith-Lever Act. 1914) be exempted from two-thirds of the January 2020 budget reallocation (\$214,100) and the furlough and salary reduction measures proposed by President Robbins (April 17, 2020).

### **Rationale:**

1. The CES delivers no undergraduate or graduate teaching and does no non-Extension research and does not benefit from on-campus teaching revenues or ICR revenues flowing through the RCM budget model.
2. The reason given for the January 2020 budget reallocation – the recruitment of high-GPA students to boost *US News & World Report* rankings (2/3 of the \$30 million gap) – and the current financial crisis is because of direct and indirect student revenue losses.

3. The federal funds have very specific expectations for application to mission delivery. The Federal funding formula is established by Congress and managed by the USDA; we have no ability to change the allocation to the CES. We also have no guidance currently on how, or even if we may change the Federal funding component around mission delivery. Moreover, these funds are not equally distributed across the CES programs or faculty. Much of it is also connected to the Expanded Food and Nutrition Education Program (EFNEP) for Women, Infants, and Children, which are even higher priorities today.
4. We are concerned the political fallout from agriculture stakeholders of further impacting the already strained CES mission delivery, which works on an operational base budget that has no other mechanism to keep up with inflation, than legislative appropriation, will be both a significant distraction and damaging to the UA.

**Detail:**

**I. State and Federal Funding**

- This budget line item is managed by the Arizona State Legislature and it is reviewed annually in the legislative budget process, including by the Joint Legislative Budget Committee.
- Budget appropriated to the Cooperative Extension carries with it a very explicit legislative intent and was specifically separated out from the CALS budget in 2008 with the support of the Joint Legislative Budget Committee and influential stakeholder groups in Arizona.
- The JLBC audited the CES and CALS lines in 2014 and found them to be “comingled”. These budgets have since been unwound and we are concerned that returning CES line item money to defray costs of teaching and research delivery by the colleges could be problematic.
- The \$1.9 million federal Smith-Lever funding requires a proportional cost-share from the state budget line. Reductions to the faculty lines in the state budget appropriation increasingly restrict the ability to match the Smith-Lever funding, particularly affecting faculty already involved in grants and other projects requiring cost sharing.

**II. Reduced Service and Increased Stakeholder Scrutiny**

- CES serves more than 500,000 Arizonans annually, in every legislative district and on all Nations. Many of these people are politically active, or actually serving in the State House and Senate, or in state agencies. The only way that the CES can keep pace with inflation is to have legislators increase the budget directly.
- General inflation and increased UA costs mean the CES has reduced new faculty hires for 2 years and is not keeping up with attrition replacements. The furlough plan will further decrease delivery and yet stakeholders and elected/appointed officials will point to the CES state line that has not changed.

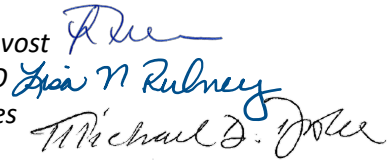
### III. Net Contributor to UA Finances

- The CES does not deliver SCH tuition or have Majors earning degrees and so doesn't contribute to RCM SCH or Major tuition revenues.
- The CES pays all RCM taxes for strategic initiatives, budget reallocations, mandatory salary increases, etc. from the state line.
- The CES generates ICR on millions of dollars of Federal Extension grants and contracts.
- By-products from the CES primary sector work sold into the economy generates \$600,000 for the Arizona Experiment Station (AES) and the CES pays a further \$1.5M in taxation to support the AES.
- The CES is the sole representative of one of the three federally mandated missions of the UA as a Land Grant University. For very many Arizona communities, it embodies the University of Arizona and is a critical component of their economies—directly contributing jobs through its approximately 4:1 net ROI on state dollars. The CES has a presence for the UA in communities throughout the state, and as some say, “Cooperative Extension is the front porch to the university”.

Atts.

TO: University Leadership

FROM: Liesl Folks, *Senior Vice President for Academic Affairs & Provost*  
Lisa Rulney, *Senior Vice President for Business Affairs & CFO*  
Michael Dake, *Senior Vice President, Arizona Health Sciences*



DATE: December 5, 2019

SUBJECT: FY2020 Budget Reallocations and Assessment Changes

We are writing to provide the final decisions regarding budget reallocations that will occur in FY20. As you are aware, there is insufficient budget available to address some critical institutional needs. Examples include increased/inflationary costs of IT contracts, licenses, and software; library subscriptions and media; fundraising/development activities as we enter into campaign mode; investment in compliance, Title IX, and diversity & inclusion infrastructure; and increases in marketing and communications to sustain recruitment objectives. Consistent with an all funds approach and in order to broaden the impacted base, the reallocation will be comprised of several discrete actions and will provide a combined annualized \$30M to address these needs.

The first action will be a **reduction to the RCM FY20 base budgets of 1.5% for colleges and 3.5% for support units**. These reductions will be loaded as negative budget lines (915.0) within each colleges' administrative account or each senior vice presidents' (SVPs) administrative account for their support units. Colleges and support units are asked to transfer budget to these lines according to the dean and SVPs' plans for satisfying the reductions by 06/12/2020. This is projected to generate a total of \$16M towards the goal of \$30M.

The second action will be to make the following changes to assessments to generate the balance of the needed funding.

As of January 1, 2020:

- The Administrative Service Charge (ASC)—revenue assessment will increase by 1.5%, from the current general 9.5% rate to 11%
- The ASC—expense assessment will increase by 1%, from the current 1% to 2%
- The assessments on Summer and Winter Session revenues will be increased by 0.4%, from 12.38% to 12.78%
- The assessments on Online and Distance revenues will be increased by 1%, from 30% to 31%

As of July 1, 2020:

- The RCM Support Center undergraduate revenues assessment will increase by 1%, from the current 30.96% to 31.96%
- The RCM Support Center cost recovery on graduate, program fee/differential tuition, and sponsored facilities & administrative (F&A) revenues will increase 0.4%, from the current 12.38% to 12.78%

Units will need to incorporate these budget adjustments into their All Funds Multi-year planning along with other impacts such as UCAP, minimum wage, and FY21 RCM Revenue adjustments (resulting from FY20 revenue activity).

We are fully aware that these adjustments will create considerable challenges within many of our units and will work with each of you directly to determine how best to accommodate these changes. For technical questions about these adjustments, timeline, or processes, please contact Garth Perry in the Office of Budget and Planning at [perryg@email.arizona.edu](mailto:perryg@email.arizona.edu) or 520-621-1634. Updates can also be found in [UAccess Community](#) Budget and Planning Forum or on the Office of Budget & Planning [website](#).

Attachment: *FY20 Budget Reductions and Assessment Changes*

**FY20 RCM Base Budget Reductions** (total reductions effective FY20)

<b>Support Units by SVP</b>	<b>Base Budget</b>	<b>Budget Reduction</b>
Executive Ofc of the President	3,922,154	(137,300)
Secretary of the University	35,086,037	(1,228,000)
SVP Marketing & Communication	3,264,932	(114,300)
SVP Development	14,553,510	(509,400)
SVP Legal Affairs & General Counsel	3,261,583	(114,200)
SVP Academic Affairs & Provost	52,371,400	(1,833,000)
SVP Research Impact & Innovation	26,940,257	(942,900)
SVP Business Affairs	76,680,171	(2,683,800)
SVP Arizona Health Sciences	7,851,629	(274,800)
<b>Subtotal</b>	<b>223,931,673</b>	<b>(7,837,700)</b>

<b>Colleges</b>	<b>Base Budget</b>	<b>Budget Reduction</b>
College of Optical Sciences	7,227,477	(108,400)
Col Arch Plan & Landscape Arch	8,658,837	(129,900)
Eller College of Management	47,059,841	(705,900)
College of Education	15,259,492	(228,900)
James E Rogers College of Law	14,964,299	(224,500)
College of Engineering	31,606,022	(474,100)
VP Agriculture & Life Sciences	45,585,012	(683,800)
CALS - Cooperative Extension	14,270,182	(214,100)
College of Fine Arts	18,821,708	(282,300)
College of Humanities	25,079,521	(376,200)
College of Science	96,167,820	(1,442,500)
College of Social & Behavioral Sciences	63,042,317	(945,600)
College of Applied Science & Technology	6,465,167	(97,000)
College of Veterinary Medicine	-	-
AHS Divisions & Institutes	11,202,354	(168,000)
College of Medicine (Tucson)	54,789,711	(821,800)
College of Medicine (Phoenix)	34,349,733	(515,200)
College of Nursing	9,637,364	(144,600)
College of Pharmacy	16,201,701	(243,000)
Mel and Enid Zuckerman College of Public Health	11,330,472	(170,000)
<b>Subtotal</b>	<b>531,719,030</b>	<b>(7,975,800)</b>
<b>Grand Total</b>	<b>755,650,703</b>	<b>(15,813,500)</b>

**Changes to Assessments** (estimated total annualized reallocation of \$14.8M)

	<b>Current Rate</b>	<b>Revised Rate</b>	<b>Increase</b>	<b>Increase Effective Date</b>
Administrative Service Charge - Revenue	9.5%	11.0%	1.5%	1/1/2020
Administrative Service Charge - Expense	1.0%	2.0%	1.0%	1/1/2020
RCM Support Center Assessments on:				
Undergraduate Revenues	30.96%	31.96%	1.00%	7/1/2020
Graduate Revenues	12.38%	12.78%	0.40%	7/1/2020
Program Fees/ Differential Tuition	12.38%	12.78%	0.40%	7/1/2020
Sponsored F&A Cost Recovery	12.38%	12.78%	0.40%	7/1/2020
Summer Session	12.38%	12.78%	0.40%	1/1/2020
Distance & Online (general rate - some may vary)	30.00%	31.00%	1.00%	1/1/2020

To view this email as a web page, go [here](#).

THE UNIVERSITY OF ARIZONA



## Dear Colleagues,

The past month has presented immense challenges. Thank you again for your amazing efforts to protect our students and to provide them with a safe and productive remote learning environment, all while continuing to serve our state in so many other ways. Together, we helped lead the effort to protect the health and safety of our local community and many communities across the state. In partnership with Governor Ducey and the Arizona Department of Health, we are on a path to provide the antibody test kits that will help get us back to work and our students back to campus. Together, we will ensure the University of Arizona survives this crisis, and that we come out of it better prepared to thrive in ways we could not have imagined just two months ago.

The task ahead is not easy, and it depends largely on the resolution of our public health crisis. Along with our entire leadership team, I am grateful for the tremendous sacrifices you already have made, especially as more will be required of all of us at the University.

We are not alone. Everyone is adjusting to this new reality of sacrifice and uncertainty. According to the latest reporting, more than 22 million Americans have filed unemployment claims over the past four weeks, the highest number of claims since the Great Depression. At least one estimate shows 20% of the labor force, 1 in 5, are out of work, and many more are facing reductions in hours and pay. Individuals and families everywhere are feeling the significant impact of this crisis, with many struggling or unable to pay rent, facing shortages and long waits for basic necessities, and experiencing increasing stress and uncertainty. I know this situation is incredibly hard, and it makes it even more difficult to focus on our health and well-being during the pandemic.

This will affect the University just as it is affecting other universities and colleges across the nation. Our financial losses already have been great. We anticipate losing more than \$66 million by the end of this fiscal year, ending June 30. Because we are only a month into this crisis, we cannot know the full extent of its effects, but our most credible shortfall projections exceed \$250 million. To put that in perspective, recall that our budget reallocations this year, 1.5% for academic units and 3.5% for administrative units, as well as RCM and administrative service charge tax increases totaled \$30 million. While these changes caused incredible concern throughout our campus, even requiring

layoff plans in some administrative areas, we are now predicting losses more than eight times that amount next year.

Several teams, including senior administrators, financial sustainability working groups, faculty and staff representatives, Regents Professors and Distinguished Professors, and a multitude of others, are working quickly to address this shortfall. Every idea is being considered. As we collect more information over the next several months, the University of Arizona will adapt through new business models, reorganize and restructure for the most sustainable use of resources, and apply the long-term reductions that may be necessary to address the financial aftermath of COVID-19.

Strategic restructuring, competitive sourcing and traditional layoffs may be necessary in the future to ensure the long-term financial stability of the University, but a comprehensive layoff is not the right approach for our immediate response. Instead, we have focused on eliminating expenses that do not affect employment and that have limited impact on employee time or salaries while we address immediate cash flow needs of around \$40 million per pay period throughout an extended period with modest revenue.

- We have put a halt to approved building projects for savings of \$7 million.
- We have halted FY20 strategic plan funding for savings of \$22 million.
- We have instituted a hiring pause and delayed plans for merit increases to save another \$26 million.
- In March, senior vice presidents and I implemented immediate pay cuts for ourselves in recognition that at least that much would be required.

While significant, those savings are not enough, and an appropriate furlough (unpaid time away from work) and pay reduction program is required. With all this in mind, I have proposed to the Arizona Board of Regents a comprehensive program that includes staff and faculty in a graduated scale through FY 2020 & 2021:

- For those within the salary bands up to \$44,449 a year, a furlough of 13 days to be taken over time
- For those within the salary bands of \$44,500 to \$75,000 a year, a furlough of 26 days to be taken over time
- For those within the salary bands of \$75,001 to \$150,000 a year, a furlough of 39 days to be taken over time
- For those within the salary bands of \$150,001 to \$199,999 a year, a straight salary reduction of 17%
- For those within the salary bands of \$200,000 or more a year, a salary reduction of 20%

With this plan, employees will retain their employment and health care benefits. We all will share in this as a team and we all will sacrifice as a team, but in a manner that respects your work, your contributions and your compensation and benefits, to the highest extent possible.

We will implement this furlough and pay reduction plan from May 11, 2020 through June 30, 2021. It is projected that this program will generate approximately \$93 million in savings to the institution. We will adapt if conditions change dramatically or we realize significant unexpected new sources of revenue, restructuring savings or expense reductions. As significant as this plan is, it will cover less than 40% of our projected shortfall through June 30, 2021, even though salaries and benefits comprise more than 60% of our spending.

I know you must have many questions about how this will affect you and your immediate colleagues, and I truly regret that this will add to an already stressful situation. The University has a complex structure with many different employment conditions to address, so I ask for your patience as we develop the implementation plans. More details will be shared as soon as possible, including a comprehensive FAQ online resource. Please visit the **FY 2020 & 2021 Furlough & Pay Reduction Program website** for the most up-to-date information.

There is much more for us to do, and we will all be working together to guide our University out of this crisis. I am confident we will weather this storm, and I am truly grateful for all of you and your dedication to our students and one another.

Please stay safe, and, as always, Bear Down.

**Robert C. Robbins, M.D.**

President  
The University of Arizona

**Thank you for supporting the University of Arizona.**

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