General Faculty Financial Recalibration Committee (GFFRC)

UNIVERSITY OF ARIZONA

RECALIBRATING STRATEGY TO OUR MISSIONS WITH BETTER MANAGEMENT

FINANCIAL RECALIBRATION REVIEW CONTENTS

GFFRC reviewed the problematic decisions, patterns, and activities that contributed to the University of Arizona's current situation and challenges, including

- Costly Strategy
- Compromised Mission
- Mismanaging Resources

GFFRC provides a series of recommendations to support recalibration and reallocation.

Problematic Institutional Patterns

- Central Administration Overspending on "Strategic" Initiatives
- Staffing wrong-sizing for a public research university with growing numbers of students
- Over-centralization of a strategic pool at the expense of academic production units

IT'S TIME TO RECALIBRATE

General Faculty Financial Reclibration Committee Members

- Dr. Gary Rhoades (Chair), College of Education
- Dr. Pierre Lucas, College of Optical Sciences
- Dr. Carine Bourget, College of Social & Behavioral Sciences
- Dr. Ramin Yadegari, College of Agriculture, Life & Environmental Sciences
- Dr. Shyam Sunder, College of Management
- Dr. Ada Wilkinson-Lee, College of Social & Behavioral Sciences
- Sonia Kaufman, College of Social & Behavioral Sciences & GPSC Representative
- Hilary Houlette, College of Education & GFFRC Graduate Assistant

The General Faculty Financial Recalibration Committee have deliberated, and we question Central Administration's

COSTLY STRATEGY

> We made a bet on spending money. We just overshot
>
> *-President Robbins*

University of Arizona Leadership pursued the following strategic initiatives that proved detrimental to the institution's financial standing

UArizona Athletics "Loan" | Ashford University Affiliation & Absorption | Tuition Over-Discounting

UARIZONA ATHLETICS "LOAN"

UArizona Athletics received substantial financial support through a combination of bailouts, subsidies, and student fees. This support included $56.5 million in annual subsidies between 2016-2019, and an additional $3 million from student fees implemented in 2018 and 2019. Central Administration issued a $53.5 million "loan" in 2021 and an additional $13.5 million "loan" in 2022. Over the last five years, the cumulative cost associated with overspending in Athletics exceeds $103.5 million.

A bad "loan" to an auxiliary unit that was regularly losing money before the COVID-19 pandemic

ASHFORD UNIVERSITY AFFILIATION & ABSORPTION

Ashford University is a "lemon" investment according to Eller faculty. UArizona leadership pursued Ashford despite extensive faculty opposition

President Robbins indicated our affiliation with Ashford University would be separate from the University of Arizona and would generate net revenue. Now, it has been absorbed and it is financially compromising. Last year, UAGC incurred $265 million in operating expenditures. Assimilating the University of Arizona Global Campus (UAGC) into the University of Arizona has had significant financial implications. This year, UArizona assumed approximately $103 million in federal student financial aid liability for UAGC, to enable the institution to receive Title IV financial aid. As indicated in the November Arizona Board of Regents (ABOR) Meeting, UAGC financial records were consolidated with UArizona records, increasing the days of cash on hand required to meet the ABOR 140-day requirement. UAGC reported a net deficit of $19.3 million yet UArizona plans to make new infrastructure investments to the institution. The total and ongoing financial liability resulting from overspending remains unspecified.

TUITION DISCOUNTING PRACTICES

The issue of over-discounting tuition for "merit" aid has evolved over the years. The discount rate increased from 33% in 2019 to 43% in 2023. As the CFO Lisa Rulney reported in January 2020, this resulted in a loss of $26 million in 2019. In 2024, the tuition discounting rate will decrease slightly to 41%. Tuition discounting of merit aid has cost UArizona over $100 million over 5 years. All peer institutions discount tuition, but UArizona is among the upper limits amongst matched universities. The issue of excessive tuition discounting was identified in 2019 and flagged by Moody's bond rating report, which identified UArizona's declining operating cash flow margins due to investments in student financial aid.

Tuition over-discounting has systematically drained days cash on hand over time

THE UNIVERSITY OF ARIZONA

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COMPROMISING OUR MISSION

UArizona is wrong-sizing the academic workforce and compromising the University of Arizona's missions as a public R1 institution.

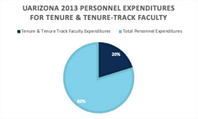
Year	Tenure & Tenure Eligible Faculty		Non- Tenure & Tenure Eligible Faculty (includes Adjunct, Career-Track, & Multi-Year)		Total Faculty
	(N)	% of Total Faculty	(N)	% of Total Faculty	
2013	1,570	47.1%	1,765	52.9%	3,335
2014	1,577	46.5%	1,812	53.5%	3,389
2015	1,570	45.2%	1,904	54.8%	3,474
2016	1,576	44.8%	1,940	55.2%	3,516
2017	1,593	46.1%	1,859	53.9%	3,452
2018	1,635	46.9%	1,851	53.1%	3,486
2019	1,658	46.2%	1,928	53.8%	3,586
2020	1,664	46.1%	1,943	53.9%	3,607
2021	1,620	44.0%	2,066	56.0%	3,686

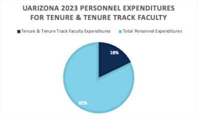
Year	Percent of Tenure-Track Faculty Hires
2016	17.7%
2017	24.0%
2018	18.1%
2019	15.1%
2020	14.5%
2021	11.2%
2022	10.0%

The tenure & tenure-track faculty share of the workforce declined from 47.1% in 2013 to 44% in 2021. Simultaneously, non-tenure and tenure-track faculty increased from 52.9% in 2013 to 56% in 2021.

10%
tenure-track faculty hiring is wrong-sizing

Total personnel costs increased from $1,005,283,000 to $1,566,789,000 between 2013 and 2023, reflecting a 56% increase. Faculty did not increase at the same rate. Between 2013 and 2023, faculty expenditures increased by only 33%. UArizona personnel costs are directed to other units, and specifically Central Administration. In 2015, faculty salary and benefit expenditures comprised 41% of the total personnel expenditure. By 2023, this figure decreased to 36%.





Undergraduate student enollments are up 27.6%. However, the faculty to student ratio decreased 22% for tenure-track faculty and graduate assistants and decreased 5% for other faculty.

UArizona Is Spending Less on Educators and Researchers and More on Central Administrators

% Change in the ratio between graduate student employement figures and total graduate student enrollments between 2021 and 2023

PART-TIME RESEARCH (RA)	-7.20%
PART-TIME TEACHING (TA)	-6.25%
PART-TIME OTHER (GA)	-47.40%
FULL-TIME RESEARCH (RA)	13.98%
FULL TIME TEACHING (TA)	-6.94%
FULL-TIME OTHER (GA)	-1.52%

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MISMANAGEMENT

The University of Arizona has mismanaged resources in three distinct ways, which are contributing to the current financial, strategic, and staffing situations.

1 Disproportionate growth of senior central administrators

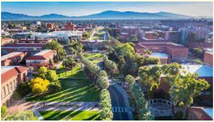
Growth in Administrator Headcount

- PROVOSTS INCREASED 220%
- VICE PRESIDENTS INCREASED 119%
- DEANS INCREASED 20%

Change in Administrator to Student Ratio

- 154% INCREASE IN PROVOST TO STUDENT RATIO
- 74% INCREASE IN VICE PRESIDENT TO STUDENT RATIO
- 5% DECREASE IN DEAN TO STUDENT RATIO

2 Insufficient to nonexistent expenditure controls on how monies in the "strategic" pool are spent.



Any investment decision should be guided by the following three questions:

1. WHY ARE WE MAKING THIS INVESTMENT?
2. HAVE WE BUDGETED FOR THIS INVESTMENT?
3. WHAT IS THE RETURN ON INVESTMENT?

3 AIB and Overcentralization

AIB and over-centralization of revenues to a central strategic pool, through a process of taxation that contributes to "structured deficits" in the academic production units even when they generate more student credit hours and grant revenues than in previous years. The first guiding principle for AIB, to "ensure adequate funds centrally to meet institutional strategic opportunities" undervalues the importance of sustaining the university's basic academic production units, which its implementation compromises.

RECOMMENDATIONS

TARGETED ACTIONS FOCUSED ON THE "STRATEGIC" "BETS" THAT INVOLVED MULTI-YEAR OVERSPENDING THAT DROVE DOWN THE UNIVERSITY'S DAYS CASH ON HAND.

Athletics

The financial challenges of the Athletic Dept predate the pandemic and the loan made in 2021. According to national analysis, for the years 2016-2019, there were deficits of $11.4M, $10.8M, $19.9M, & $17.3M. Those deficits were 13%, $12%, 19%, & 17%. We call for a 3-5 year plan involving scaling back by targeted percentages on expenditures in the categories of coaching salaries, admin costs, facilities, and scholarships.

UAGC

Strategically rightsize UAGC to mitigate its financial liability to UArizona, using the Academic Review Process that we run with all UArizona programs to review all UAGC programs, with an eye to reducing overlaps and perhaps shifting some UAGC students to UAOnline.

Tuition Overdiscounting of Merit Aid

Support & amplify the reduction of merit aid and the reduction of the tuition discount rate that is in process. Mitigate the related loss of students by reallocating ~10% of the projected (by Kasey Urquidez) $10M in savings to leveraging and scaling up existing efforts to stimulate more Honors applicants, more Latinx applicants (with a few more arrangements like the pilot project in Sunnyside Unified School District), and more transfer applicants (e.g., about 10% of Honors College students are transfer, and there are plans to increase that).

RECOMMENDATIONS

RECALIBRATING THE GROWTH OF ADMINISTRATION, AIB, AND EXPENDITURE CONTROLS

Freeze/cap senior administrative hiring at central and college levels:

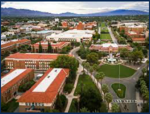
Over time, reduce these senior and overall administrative costs, through natural attrition (and then not replacing every position that is vacated). GFFRC notes the importance in doing so of differentiating between some support/admin units (e.g., AZInternational, Honors) that directly support student credit hour production in academic units, and those that do not.

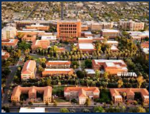
Recalibrate the overcentralization of funding through AIB and other taxes (e.g., "gain share," which is central admin gaining a share of academic college reserves):

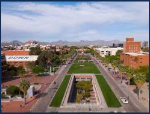
The taxation of college reserves should be reduced or paused. The student credit hour payout rate should be substantially increased. The first guiding principle for AIB should be shifted from, to "Ensure adequate funds centrally to meet institutional strategic opportunities," to sustain and incentivize the university's basic academic production units, and to, in President Robbins' words, "protect the university's research and teaching mission."

Establishing expenditure controls:

GFFRC calls for the establishment of expenditure controls that lie outside the CFO and central administration, to include, for example, some combination of deans, department heads, and faculty shared governance entities.







RECOMMENDATIONS

RECALIBRATE TO OUR MISSION, TO WHO WE ARE AS A PUBLIC RESEARCH UNIVERSITY

Rightsizing the academic workforce

To protect our research, teaching, and service missions as a public research university, the university and colleges should establish 3-5 year plans to:

1. Move from the current under-recruitment of tenure stream faculty as 10% all faculty hires back towards the 24% of 2017;
2. Increase the total faculty share of total personnel expenditures at the university from the current ~36% to the 41% of 2015;
3. Increase the number of graduate assistants to pre-pandemic levels at least.