



University Financial Updates

Ensuring Financial Health and Success

The University of Arizona is implementing immediate actions and longer-term solutions to ensure strong financial health and the ongoing success of our teaching, research and outreach mission.

Contents

[Financial Action Plan](#)

[University Investment Successes](#)

[Financial Action Plan Background](#)

[Current Financial Situation](#)

[Correcting Misperceptions](#)

[Communications](#)

[Frequently Asked Questions](#)

Latest Update

Message from President Robert C. Robbins

On Dec. 13, 2023, President Robbins presented the University's financial action plan to the Arizona Board of Regents. Please watch his **video message** (https://www.youtube.com/watch?v=SuTHee_JL2Y) to our community. This video is also **available in ASL** (<https://www.youtube.com/watch?v=uAqajM8KO54>).

University Financial Update

[View the financial action plan](https://www.arizona.edu/financial-updates/action-plan) (<https://www.arizona.edu/financial-updates/action-plan>).

[View the Arizona Board of Regents Report](https://www.azregents.edu/sites/default/files/2023-12/University-Financial-Oversight-Enhancements-and-Expectations.pdf) (<https://www.azregents.edu/sites/default/files/2023-12/University-Financial-Oversight-Enhancements-and-Expectations.pdf>).

Financial Action Plan

The University's immediate financial task is to address and eliminate its structural deficit while ensuring the ongoing success of its teaching, research and outreach mission.

Our initial review has determined immediate actions are required over the next six months to recalibrate our financial path, address the University's structural deficit and replenish an appropriate level of reserves. Longer-term solutions will be necessary over the next 18 months to implement ongoing cost-reduction measures and structural changes that address budget decision-making frameworks and accountability controls, and create operational efficiencies.

Based on input and feedback from faculty, student, staff and administrative leaders across campus, the University has submitted to the Arizona Board of Regents its financial action plan.

[View the financial action plan page](https://www.arizona.edu/financial-updates/action-plan) (<https://www.arizona.edu/financial-updates/action-plan>) for the full plan.

What We Are Doing:

Immediate Actions Over the Next Six Months

- Implementing hiring and compensation freeze.
- Freezing international travel for senior administrators.
- Restricting purchasing.
- Deferring nonessential capital projects.
- Concluding strategic initiatives funding.

Actions Over the Next 18 Months

- Implementing FY 2025 base budget reductions with focus on units spending in deficit, overhead and administrative functions.
- Delaying FY 2025 Salary Increase Program.
- Conducting individual reviews of all budget units; ensure ongoing financial accountability.
- Rebalancing undergraduate non-resident merit aid for new students.
- Eliminating tuition guarantee in fall 2025 for new students.
- Eliminating Activity Informed Budgeting (AIB) model; implement centralized planning budget model.
- Reorganizing administrative services in: Information Technology, Human Resources, Marketing & Communications, Business & Finance, and University Advancement.

What We Are Not Doing:

- Reducing need-based aid for Arizona resident students.
- Reducing need and merit-based aid for any current or accepted students throughout their time at the University of Arizona.
- Eliminating tuition guarantees for any current or accepted students.
- Instituting furloughs.
- Reducing retirement benefits.
- Jeopardizing our teaching and research mission.
- Permitting overspending of budgets.

Other Plan Highlights

Hiring and Compensation

The University is implementing a compensation freeze to include all compensation and pay structure adjustments. The FY 2025 Salary Increase Program and pay structure increase will be delayed until further years.

The University is implementing a hiring freeze in all units through June 30, 2024, and will reassess continuation as part of the FY 2025 budget.

Student Aid

The Tuition Guarantee Program will continue for all current students and those admitted in fall 2024. Over the next 18 months, the University will eliminate the Tuition Guarantee Program beginning fall 2025.

The University will fully maintain need-based aid for Arizona resident students and fully maintain aid awards for currently enrolled students.

Over the next 18 months, the University will recalibrate merit-based aid for undergraduate non-resident students beginning in the fall 2025.

Institutional Controls and Financial Oversight

The University will immediately eliminate the Activity Informed Budgeting (AIB) model as a component of the University's decision framework for allocating funds. The existing base budget, including reductions the second half of FY 2024, will be used as a starting point for FY 2025, with budget reductions determined by central administration based on analysis of individual unit budgets and conversations with unit leaders.

More information about financial management accountability, monthly unit budget reviews and the reorganization of administrative services is available in the full [financial action plan](https://www.arizona.edu/financial-updates/action-plan) (<https://www.arizona.edu/financial-updates/action-plan>).

Athletics

The University will address the financial sustainability of intercollegiate athletics with direct oversight from central administration. The scale of the financial challenges facing our Athletics Department will take multiple years to remedy given the ever-changing national landscape for collegiate athletics. The University has already started working with the Athletics Department to bolster revenues through ticket sales, maximizing media rights contributions and increasing philanthropy, as well as reducing costs through centralization of administration functions.

University of Arizona Global Campus (UAGC)

UAGC's operating expenses, systems, assets and cash are included in the current FY 2024 budget. Greater efficiencies will be created through elimination of administrative services redundancies and overlapping academic programs as UAGC is integrated into the University's overall operations. This is already in process and reflected through recent organizational structure and leadership changes.

University Investment Successes

The University of Arizona began implementing its [Strategic Plan](https://strategicplan.arizona.edu/) (<https://strategicplan.arizona.edu/>) initiatives in 2018. At that time, the University had built up reserves equivalent to 182 Days Cash on Hand and planned to strategically invest its surplus in key areas that advance the Strategic Plan; support faculty, staff and students; and best serve the state of Arizona. As a result, the University has achieved great success in critical areas.

For example, the University has:

- Achieved record applications, enrolled the largest, most diverse and most accomplished student class in the University's history, and improved retention and graduation rates.

- Opened the Student Success District to better support incoming students.
- Experienced record years in research activity, reaching \$954 million the last fiscal year.
- Delivered the successful culmination of the OSIRIS-REx asteroid sample return mission.
- Received more alumni and donor support than ever before with the launch of the Fuel Wonder fundraising campaign in November, which is well on the way to its \$3 billion goal.
- Celebrated meteoric Athletics achievements this fall.

That success has come at a cost as the University has operated at a structural deficit and has used reserves to cover the difference.

Moving Forward

On Dec. 13, 2023, the University of Arizona submitted to ABOR its financial plan for addressing structural budget deficits.

Many of the measures outlined in the financial action plan will result in additional necessary decisions by the administration and college and division leaders across campus. To ensure our community is informed of these processes, this website will be updated periodically with current information and useful resources.

Senior leaders will continue to work with faculty, staff, students and shared governance partners to take the steps necessary to ensure the University remains strong in its core teaching, research and outreach mission.

Financial Action Plan Background

On Nov. 2, 2023, the University of Arizona presented a Financial Status Report to the Arizona Board of Regents outlining a significant change from the forecast in the University's Days Cash on Hand ratio. Days Cash on Hand is primarily about the University's required level of reserve funds compared to total annual expenses at the end of the fiscal year on June 30.

The Days Cash on Hand situation is not an operational liquidity issue. The University has no issues making payroll or meeting debt obligations. The Days Cash on Hand shortage, however, is a warning sign resulting from the University's expenditures outpacing its revenues, and the institution making up the difference with reserves. The University has also historically lacked the central budget and expenditure controls necessary to monitor institution-wide finances effectively in real time.

This is an important situation to address, but the University is not in a financial crisis. We need to correct our structural deficit and replenish our reserves.

What Happened

- In recent years, the University used its reserves to invest in strategic plan initiatives supporting students, faculty and staff.
- The University's expenditures exceeded its revenues.
- The University's reserves are below the threshold required by the Arizona Board of Regents.
- The current issue centers on the University's structural deficit.
- The University is not in financial jeopardy and there are no concerns about the ability to pay employees or meet debt obligations.

Current Financial Situation

The University has an annual budget of approximately \$2.7 billion. As a result of accelerated spending from FY 2022 to FY 2023, the University experienced a decline of \$140 million in cash and investments, when comparing the University's cash position snapshot in June 2022 to its cash position snapshot in June 2023. On June 30, 2023, the University had \$704.5 million in unrestricted cash and short-term investments, which translated to 110 Days Cash on Hand, 30 days short of the ABOR-required minimum.

Days Cash on Hand is not a comprehensive measurement of the University's financial health. It is one key directional indicator of some systemic financial issues that need to be addressed and it is a factor in the University's credit rating.

Days Cash on Hand

Days Cash on Hand is a once-a-year snapshot taken at the end of every fiscal year on June 30 that serves as one of several measures that can reflect an institution's financial health. It represents the average number of days the University could continue to operate without additional revenue based on the cash available in reserves on that day. Another way to describe Days Cash on Hand is unrestricted cash and investments that can be liquidated.

The formula is: June 30 Cash Snapshot divided by Final Actual Expenditures and multiplied by 365 (days). This formula is estimated at the beginning of each fiscal year as a projection of what cash balances are believed to be at the end of the fiscal year. The actual figure is then calculated with audited values from the financial statements.

Days Cash on Hand is calculated at the end of the fiscal year on June 30. It takes approximately one month for final accounting entries to be submitted and another month or two for the annual financial audit to be completed by the Arizona Auditor General. The University typically receives the final official figure somewhere between mid-October and mid-November.

Financial Forecasting

The University uses a forecasting tool to predict the final position of the Days Cash on Hand snapshot. For the last decade, the tool produced accurate results.

The financial forecast process for FY 2023:

- In March 2023, it was reported to ABOR that the University would have an estimated 156 Days Cash on Hand on June 30, 2023.
- In November 2023, following the annual audit of FY 2023, the University confirmed the amount of Days Cash on Hand was 110 on June 30, 2023 – 30 days short of the ABOR-required minimum. The financial forecasting tool overestimated by 46 days because it did not account for collective accelerations in spending.

The forecasting tool has been replaced and additional budget controls are being implemented.

Correcting Misperceptions

Discussions and media coverage surrounding the University's financial situation have brought up common questions regarding some key areas of interest and led to several inaccurate assumptions. The following is information to address some of those areas of concern.

The University Did Not "Lose" \$240 Million

As a result of accelerated spending from FY 2022 to FY 2023, the University experienced a decline of \$140 million in cash and investments, when comparing the University's cash position snapshot in June 2022 to its cash position snapshot in June 2023. Because the University both increased expenditures and spent down cash balances, at the end of fiscal year 2023 a combined increase in cash or reduction of expenditures of \$240 million would have been required to return the University to the standard of Days Cash on Hand.

The University Is Not in Danger of Running Out of Cash

On June 30, 2023, the University had \$704.5 million in unrestricted cash and short-term investments, which translated to 110 Days Cash on Hand. While this has left the University 30 days short of the minimum number of Days Cash on Hand required by ABOR, it is not a cash problem for the University. Because of the trend of expenditures outpacing revenues, the University is working to resolve the structural budget deficit.

How Reserves Have Been Managed

The University's total reserves include centrally and non-centrally managed funds. While the University has tight controls on centrally managed funds, it has not had the same level of control over the funds that are not centrally managed.

Going forward, senior leaders will intervene more proactively and earlier using further-improved management and oversight tools.

Audit of Financial Statements

The University of Arizona is independently audited every year by the State Auditor General. The University's audited FY 2023 financial statements earned a clean opinion. The University's **financial statements** (<https://financialservices.arizona.edu/sites/default/files/2023-10/acfr2023web.pdf>) are published on the Financial Services website and can be accessed online.

UAGC Did Not Cost the University Large Amounts of Money

The overall impact of incorporating University of Arizona Global Campus into the University of Arizona FY 2023 financial statements is positive. UAGC added \$44.34 million to the University's cash position. The University recorded a one-time non-operating transfer (gain) of \$67.9 million to reflect UAGC's total net position. For FY 2024, UAGC unrestricted cash and total expenditures are included in the University's financials and will therefore impact Days Cash on Hand.

Loans to Athletics

As part of its regular operations, the University lends funds to colleges and units that need an investment, particularly when revenue is reasonably assured but the unit needs a bridge to proceed with immediate needs. Units repay these funds at a low interest rate.

- Due to the extraordinary circumstances of the last few years, including those resulting from the pandemic, the University supported its athletics operations through one-time bridge loans in the amount of \$40.2 million in FY 2021, \$14.8 million in FY 2022 and \$31.6 million in FY 2023. Prior to the pandemic, Athletics was essentially a financially self-supporting unit.
- The University provides scholarships for student-athletes. Other than scholarships, prior to the pandemic the University's athletics program had been essentially self-sustaining.

Communications

Date	Sender/Information Source	Title or Subject
Dec. 13, 2023	Robert C. Robbins, President	Leadership Update (https://view.comms.arizona.edu/?qs=77bfb48c0dd2f4dd341db8166beebaa838329c723faa73bb37520047cee4f015fa95e19fc342c8b33e40f896bdd20e996c06ddf768b1d6fcd0323edc44d297c7960f6be0372b96033bcf62d3)
Dec. 13, 2023	Executive Office of the President	A Video Message from President Robbins (https://view.comms.arizona.edu/?qs=d772b9331fea0b58ac5332fd5b8cdbba361e0b10ddb95eacbb3c4636c93af0efde3ec300db87ec69f58e284896cfc9e45618d647ae6d0c6e720bba1414094cdc4fc3af1ac715640640fb9222)
Nov. 22, 2023	Robert C. Robbins, President	University Financial Update (https://view.comms.arizona.edu/?qs=d25a5111d9f6cc41b86b778f8113651bb06de84a9bfd0769e9113cc2c0d70b486d138a5127f440789372bc45a16006fd3c7a2b03fc5e3c3af1e387562b318f783890266b9e914ad46408da111554)
Nov. 11, 2023	Robert C. Robbins, President	Financial Challenges (https://view.comms.arizona.edu/?qs=818737660fd22511cb2fcc58f17b1bc7f7fa9e74f7d470ac63288e86c6b39803f9c181c932b36134710719223a90c2065ef535f19531886dce1ef21282a2fc97c0c372e54f830caf9b177be9a03682)

Frequently Asked Questions

Financial Situation

Is this a financial crisis?	▼
Are we in a structural deficit?	▼
What happened?	▼
What does the Arizona Board of Regents require for Days Cash on Hand?	▼
What is the definition of Days Cash on Hand? Why do we need so many days?	▼
Did we lose \$240 million?	▼
Is the University in danger of running out of cash?	▼

How much of the University's budget is provided by the state?	▼
How did the University not realize the reserves were so far below the amount required by ABOR? Why didn't the University realize this sooner?	▼
What is the financial impact of acquiring University of Arizona Global Campus, or UAGC?	▼
Where did the funds come from for the loan to Athletics?	▼
Will there be an audit of the finances of the University?	▼
If some of the shortfall is due to overspending by some colleges and support units, why weren't University leaders aware that was happening?	▼

Next Steps

Can the University use some of the money held in endowments at the University of Arizona Foundation?	▼
Will the annual Salary Increase Program be impacted?	▼
Will there be a hiring freeze?	▼
Will the University stop making contributions to retirement plans?	▼
Will furloughs be considered?	▼
Will research funding be impacted?	▼

More Resources

Budget & Planning

Resources related to budget and planning at the University of Arizona.

Budget Reports (<https://budget.arizona.edu/budget-reports>)

Arizona Board of Regents

The governing body for Arizona's three state universities.

ABOR website (<https://www.azregents.edu>)

ABOR Reports (<https://www.azregents.edu/reports>)

Financial Action Plan

View the University's financial action plan.

Financial action plan (<https://www.arizona.edu/financial-updates/action-plan>)