

Strategic Planning and Budget Advisory Committee

Faculty Center
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Minutes

Wednesday, October 7, 2020
8:15-9:50am *via Zoom*¹

Present: B. Brummund (**Co-Chair**), S. Helm (**Co-Chair**), M. Abecassis, D. Ayoun, L. Benson, B. Berrellez, E. Cheu, S. Colina, P. Dourlein, J. Duran, J. Florian, L. Folks, G. Heileman, J. Jones, D. Liverman, I. Moore, S. Moore, G. Perry, C. Ramirez, L. Rankin, H. Rodrigues, L. Rulney, S. Sen, T. Singleton, R. Stephan, J. Summers, M. Taylor, S. Troutman, B. White

Absent: E. Cantwell, J. Hunter, S. Keim, A. Miller, J. P. Rocznik,

Guests/Observers: S. Cederburg, R. Hammer, M. Hymel, H. Jensen, G. Lozano, J. O'Neil, C. Rocha, A. Romero, P. Scott, R. Toomey, M. Trevino, K. Washington White

Presenters: Lisa Rulney, Senior Vice President and Chief Financial Officer

Call to Order

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

Approval of the Minutes of September 16, 2020

The minutes of September 16, 2020 were approved.

Overview of Ashford revenue survey results:

Co-Chair Helm updated the committee on the results of the survey of voting SPBAC members regarding Ashford revenue. She stated the report was sent to SPBAC members in the agenda packet and the report was also sent to President Robbins. Helm said the report indicated priorities including scholarships, furlough relief, direct support of colleges in need, and leaving money in UA Global to improve Ashford offerings. She suggested revisiting the report in detail at a later date. A committee member asked if it was possible to backfill scholarships and accomplish multiple priorities. President Robbins agreed this was possible.

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.

Presentation and Discussion: Updated Revenue and Expense Projections and Furlough Modifications: Lisa Rulney, Senior Vice President and Chief Financial Officer

Rulney presented to the committee updated information about revenue and expense projections. She stated the information presented was a draft and wanted to gather feedback from SPBAC. Rulney said she would share materials with SPBAC and GFFAC. Rulney said she had reviewed the fall census data and would review spring census data in March. She said October 5th was the earliest date to share data and noted she met that deadline.

Rulney encouraged SPBAC members to take into consideration the following factors when analyzing the data shared with the committee:

- Projections for Net Tuition Revenue (NTR) were a 40% improvement over the moderate case scenario
- Original projections showed NTR down \$96m but were changed to be down \$55m.
- There were still unknowns for spring tuition and a need to be conservative

Rulney stated the importance of focusing on differential impacts to revenue and support units. She said online revenue benefits revenue units differently than support units. She added there will still be larger impacts to support units and, at some point, it will not be possible to offer services without cuts to support units.

Rulney said activity was modeled down to the college level and some units saw an increase. She pointed out differential impacts related to furlough exemptions and said colleges with large amount of sponsored activity had less savings. She added that some changes were made based on feedback from deans and department heads.

Rulney highlighted the differential impacts to auxiliary units based on the loss of activity. She said having fewer people on campus led to catastrophic losses to units such as athletics and the bookstore. She said these units had budgets set by revenue, not RCM.

Rulney shared with the committee a draft summary spreadsheet of FY21 revised budget allocations by college. She indicated the following changes on the spreadsheet:

- FY21 RCM Change was updated per the fall census. Rulney said an improvement in F&A expense recovery will mean F&A is projected to be even with FY20.
- FY21 Online/Distance Forecast Revenues information was updated to take into account the fall census and projections of NTR for each college with the differential impact for online and main campus. Rulney said the first version of this data included adjustments resulting from impacts based on NTR and activity changes that were thought to be detrimental to units.
- FY21 Savings from Proposed Furlough Programs & ERE information was updated per the proposed February 21, 2021 end date for the furlough program. Rulney said February 21st, 2021 was proposed as a both a pay period date that would align with roughly 40% of the furlough. She added that it was not expected for colleges and support units to help recover losses from auxiliary units listed on the spreadsheet.
- Total FY21 change, based on FY20, FY21 Forecast, Online / Distance, Exec Decision Adjustments, & Proposed Furlough Programs information was updated to add in savings and net effect dollar amounts for each college.

Rulney added that the College of Engineering remained at -2%, the same as the original model. She stated CALS was offering funds and this also remained unchanged from the original model because funds were needed to support colleges with negative impacts. Rulney added the College of Humanities was originally -14% and this had been reduced to -9% in the new model with a need to use 15% of fund

balances to cover budget cuts. Rulney said the College of Social and Behavioral Sciences was originally -14% and this was reduced to -7% in the new model based on activity and increased allocations to SBS in recognition of the size and diversity of offerings.

Rulney expressed concern regarding holding onto NCI designations associated with the Cancer Institute. She added, in the original version there was a \$2m adjustment to the Cancer Center but there was improvement for AHS divisions and institutes in the new model, mostly because of F&A recovery. She said the net effect was up 10%, but furlough savings were still being analyzed.

Rulney said College of Medicine-Tucson (COM-T) and College of Medicine-Phoenix (COM-P) were both giving funds in the original and new models. She added COM-T and COM-P both had deeper negative effects because clinical faculty were exempted from the furlough program. Rulney added the College of Nursing had projected revenue from online and distance learning of over \$3m, ending up with a net positive effect.

Rulney said the average forecast change from the original to the revised version was from -17% in the original to -11% in the revised version. She added the net effect from RCM was originally -22% and had improved to -15%.

Rulney was asked if the 55M projected shortfall was inclusive of the 26M shortfall that was projected last spring due to tuition discounting issues. Rulney responded it was included in the model, but there were still impacts due to classes rolling through the UA system. A committee member asked if the early termination of the furlough would also mean early termination of budget cuts. Rulney responded that any decreasing of the furlough would be detrimental to auxiliary units because they do not see the benefits of RCM or F&A. She added there were budget improvements for both colleges and support units. Rulney was asked if ending the furlough for lower-paid employees earlier was considered. She responded it was preferable to end the furlough as soon as possible because the administrative burden it placed on the current systems was impractical.

Rulney provided information to the committee regarding FY21 draft budget allocations for support units. She said that adjustments were made to allocations for all support units and that within support units there was a differential caused by average salaries. She said that units with higher salaries saw greater savings from the furlough program and for some units, shortening the furlough would lead to negative effects. She added colleges received a bump from NTR and support from online/distance education that support units would not receive. Rulney shared with the group the following:

- Average net effect for colleges was -2% and for support units it was -8% and, at some point, UA will have to stop offering services because units cannot sustain services with these cuts.
- Marketing and Communications received an investment in FY20 and adjustments were made to the new model to bring this budget to as close to flat as possible.
- Rulney expressed concern over impact to UA Global's revenue because of the decrease in international students.
- Budgets for Arizona Arts were kept flat from FY20 to FY21 to avoid negative effects.

Rulney stated if the February 21, 2021 date was observed for the end of the furlough, there would be a \$2.6m reduction in furlough savings across the auxiliary enterprise. She added a \$1.8m decrease in savings came from athletics alone.

Rulney was asked if the number of furlough days would be cut proportionally to the 40% decrease in the furlough program and how savings from refinancing would be applied. Rulney responded that \$19m

will be saved by not making the December debt payment and decisions had not been made on how the rest of savings would be applied.

Rulney was asked about the larger cuts to support staff in central support relative to support staff in college support units. She responded there was need to discuss revisions to the current budget model and this was the outcome of running budget allocations by formula. She added the Operational Efficiencies workgroup was working on determining the optimal mix for support services to ensure quality service and efficient use of resources. Rulney welcomed a conversation about determining what works and what needs to be improved in the budget allocation model.

When asked about finalizing and announcing the proposed FY21 budget allocations, Rulney responded the goal was to give Provost Folks time to gather feedback to include in the model and she was hoping to have an announcement by the end of the following week.

The Co-Chairs discussed with committee members the next steps for gathering feedback and questions. Rulney was asked for specific information the committee should aggregate. She responded there were two key items committee members should be asked about: the optimal date for the end date of the furlough (considering differential impacts to colleges, support units, and auxiliary units) and the executive decision adjustments.

Updates

President Robbins

Robbins informed the committee of an improvement to the University of Arizona's rankings. He also stated the University was moving toward over \$750m of research including a \$20m NSF grant connected to the College of Optical Sciences.

Liesl Folks, Senior Vice President for Academic Affairs and Provost

Folks said she had solicited input from colleges and support units for guiding principles to align RCM with operating needs. She indicated the results would be shared once complete. Folks added the last review of RCM was conducted in 2018 but never released.

Folks updated the committee on the reintroduction of phase 2 courses and added if the introduction goes well, there would be need to think about flex in-person courses in stage 2. Folks added she was working out strategies for students to safely exit at Thanksgiving or the end of the year.

Steve Moore, Senior Vice President and Chief Marketing and Communications Officer

Moore informed the committee of the re-recording of songs and soundtracks with Arizona Arts students.

Jessica Summers, Chair of the Faculty

Summers informed the committee that Faculty Senate had passed the Provost's proposed changes to the spring calendar to include reading days.

Tara Singleton, ASUA President

Singleton updated the committee on work with CAPS to expand a memorandum of understanding. She added that a \$100 per student fee covered pandemic related services.

Adjournment

The meeting was adjourned at 9:52am.