



Strategic Planning and Budget Advisory Committee

Wednesday, January 19, 2022

8:15 am - 9:50 am

AGENDA

1. Call to Order
2. Approval of the minutes of December 15, 2021
3. Presentation and Discussion: State of the Budget
(Presenter: Garth Perry, Vice President/Chief Budget Officer)
4. Presentation and Discussion: Managing Complexity in the Research Mission – Investment in Research Faculty/Research Cores
(Presenter: Betsy Cantwell, Senior Vice President, Research and Innovation)
5. Senior Leadership Updates
6. Adjournment

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Minutes

Wednesday, January 19, 2022
8:15-9:50am *via Zoom*

Present: B. Brummund (**Co-Chair**), S. Helm (**Co-Chair**), M. Abecassis, L. Benson, B. Berrellez, C. Bourget, E. Cantwell, E. Cheu, S. Colina, J. Dudas, J. Duran, J. Florian, L. Folks, D. Hahn, G. Heileman, L. Hudson, J. Hunter, J. Jones, I. Moore, S. Moore, G. Perry, C. Ramirez, L. Rankin, H. Rodrigues, R. Robbins, L. Rulney, S. Sen, R. Stephan, J. Summers, K. Van Renterghem, N. Vega,

Absent: A. Miller, J.P. Rocznik

Guests/Observers: S. Batsheva, K. Bonine, M. Brown, I. Ghosh, C. Henderson, L. Isley, T. Kvaran, S. Pawar, R. Primeau, A. Romero, P. Scott, M. Taylor, S. Troutman, K. Urquidez

Presenters: G. Perry; Betsy Cantwell

Call to Order

Co-Chair Helm called the meeting to order at 8:18 a.m.

Approval of the Minutes of December 15th, 2021

The minutes of December 15th, 2021 were approved with no amendments. No abstentions, no objections.

Presentation and Discussion: State of the Budget **(Presenter: Garth Perry, Vice President/Chief Budget Officer)**

The state of Arizona's budget is a \$12.9 billion enterprise. The revenue sources that support that total budget come almost entirely from sales tax and individual income tax. This data comes from the "Joint Legislative Budget Committee", which also predicts a modest growth in revenue after 2022 over the next 4 years.

Perry reported on the data for cash flow from the Arizona Treasurer office. Per this data, the University Systems (UA, NAU, ASU and ABOR) have cash balances that are at an all-time high. In looking at the general funding expenditures of the three state universities from FY2012-FY2022, it appears that all are in the positive, increasing by 24%, from \$708 million to \$878.3 million. The University of Arizona makes up about 7% of this total allocation.

Regarding the state appropriations, there was an uptick for this year. After the recession there were substantial budget reductions, now in 2022 the University of Arizona is just reaching pre-financial crisis level of appropriations numbers. On a per student basis, Arizona led the nation in

funding reductions for state appropriations. As for the University itself, the UA was appropriated more in lump sum funds (general operating dollars) and allocation for special programs like the school of mining or the Kazakhstan studies program. Overall the numbers increased from FY2021 to FY2022 by \$43,016,900.

New Economy Initiative (NEI) funds for FY 2022 have been allocated to engineering, RII Space Institute, UAHS programs (research and instructional programs), and institutional support for UITS.

Perry stated the Office of Budget and Planning submits a state budget request, which is done to outline the initial understanding of the coming fiscal FY23 budget. They requested to have the NEI funding of FY22 be converted from one-time funds to ongoing funding, and they recognized in the statute that the one-time funding for Center for Philosophy, Wind Tunnel, and Kazakhstan Studies Program are set to expire.

The governor gave his state of the state address on 1/19/22, which indicated funding for the Freedom Center(\$1.8M), HITF(\$11.7M), NEI(\$14.7M), Agricultural Workforce Programs (\$500K), and removal of one-time funds. This is not a definite allocation, that is ultimately decided by the legislature. These requests indicate that health insurance rates will increase, as there was reinvestment in the health insurance trust fund, which is typically an indicator of rising health care costs.

The total revenue & expenditures revealed that the margin of difference between revenues and expenditures narrowed, and actually went in the negative in FY20. Using the “all funds” process, a budget is constructed during April-May; this budget is sent to the board for approval, which is approved in June. Overall the budget has increased its margin to \$62M, which is an improvement on the budget, but is still a relatively thin margin to be operating on.

The University of Arizona 14 years ago used to rely more on state fund appropriations. Currently, research and grants and contracts are up, while tuition and fees have increased. Auxiliaries like the student union and campus life have not recovered.

As for the expenditures from FY2008 vs FY2022, the expenditures have remained consistent. The vast majority of the budget is associated with salaries and personnel, making up more than half the expenditures. With regards to interest on indebtedness, the UA has debt on bonds, and those bonds were used to fund our capital infrastructure.

Perry also reported on “Days Cash on Hand”; this is a metric the Board of Regents looks at closely. It is intended to state how many days UArizona can operate with the balances at that point. There were improvements in FY21, as FY20 was lower than the previous 6 years.

Perry reported on the projected tuition & fees, which is important as it ties to AIB. This FY had better enrollment than originally estimated, and so expectations for the FY22 net tuition fees were adjusted. Perry stated that there is a percent increase in the extended education fees, that reflects the study abroad, which was halted during FY2021. Now in FY2022 that has revamped so there is a large percentage change, but not a total change in its revenue basis. Perry then expressed more info on the net revenue from base tuition slide, which is driving the RCM model and running the budget this year. It also is a major component of the upcoming AIB model. The figure has changed and there has been an uptick on net tuition revenue due to many new investments in allocations this year.

In the state general fund vs net tuition from FY2008 vs F2021, on a per student basis the net tuition revenue is slightly down, but not by much. As for the state general fund, the funds did go down from 2008 and flatlined, those funds are now increasing in FY21-FY22. Across all modalities, total enrollment has increased from FY2015 to present FY2022. For specific modalities, like online or global, enrollment has increased significantly, whereas the on-campus headcount has a less significant increase.

Focusing on traditional enrollment mix, i.e. resident students, non-residents, and international from FY2021 to FY2022, there has been an increase in non-resident students, whereas the resident students have declined. The resident students pay lower tuition and receive higher discounting, the non-residents typically pay a higher tuition and receive less discounting, and the international students pay the same tuition rate and receive less discounting.

As for fees and tuitions for undergraduate residents and non-residents, this pertains to items like library fees & health and rec fees. The University of Arizona was below the peer median in tuition and fees for undergrad students, compared to other universities like Texas A&M who have substantial fees, but lower tuition. In contrast, the University of Austin has barely any fees but has higher tuition. The University of Arizona is an outlier for graduate non-residents which are above the peer median, as there is not much opportunity to change the fees and tuition for that group.

From the years of 2005-2009, the university was substantially below the peer median; this was set by the board, who implemented policy to remain at the bottom quartile of tuition and fees. Taking the great recession into account, in 2009 the policy was removed in an effort to increase tuition rates and adjust the budget. In 2015/2016 UArizona introduced the tuition guarantee program, which had multiple years of increase built into the rate. Since then, there have been no significant increases to the tuition and fees. As for the graduate students, there are no tuition guarantees.

Endowment Value in FY2021 had a record-breaking year, with high numbers in receiving funds which impacts operating budgets in every unit.

In FY2021 the debt lessened and payments of said debt were very low due to COVID. In FY2021 the number returned to its normal amount, but it is projected that 2024 will have payments above the UA's ability to pay. On a positive note, the UA's resources available to make debt payments will be significantly higher from 2032 and every FY after that.

One member asked about a general overview about what the NEI is. Perry stated that it's an investment into different units like physician assistants, space institutes, health science initiatives like the AEGIS program. The funding is coming from the state in an effort to support specific programs. President Robbins remarked that the state is investing in human health, animal health, and environment sciences. Schools like the College of Mining would be funded by the state with hopes to get an investment in the state's job force.

One member asked about the Kazakhstan funds. There is a long history of collaboration between Kazakhstan and Arizona. Per President Robbins, Arizona State had a long-standing relationship with Kazakhstan by having micro campuses in both Kazakhstan and Arizona. Yet, currently there is no immediate interest from UArizona in pursuing collaboration opportunities due to civil unrest in the region.

Presentation and Discussion: Managing Complexity in the Research Mission – Investment in Research Faculty/Research Cores
(Presenter: Betsy Cantwell, Senior Vice President, Research and Innovation)

Cantwell presented the FY20 R&D Expenditures (FY21 will not be shown until October 22). The University of Arizona research and expenditures are ranked #35 nationally. The UA is also #1 with astronomy and astrophysics, which is positive, but this occurs because of NASA's missions being so high priced. Many of these missions fluctuate, so it truly depends on their space program's needs. The UA is also #2 in Hispanic enrollment.

Cantwell stated the UA research is not only measured in dollars but impact of research. UA has furthered advances in wastewater testing to monitor cases of SARS COV-2. The UA also furthered research in reducing risk of skin cancers like melanoma. The UA has an increased in research, and expects the same increase for FY21 expenditures, with an increase for awards. Awards seem to be increasing more than the expenditures, and if that continues the university must deal with the challenges that will come with this oddity. One issue is the personnel expenditures will be going up, and there is a shift of employment nationwide.

The path to \$1B in research and expenditures is an ABOR goal to be achieved by 2030. Strategies to grow the annual expenditures are investing into University of Arizona Health sciences, growing over \$120M over current research impact, and ranking higher in Blue Ridge.

Additionally, the second strategy is to grow the College of Engineering's expenditures by doubling the expenditures through security capabilities, and furthering data and computing. The goal is to create an institute for the future of data and computing, which could usher in the next generation data, networking and computer platforms that will drive Arizona's economy.

Cantwell stated that Barney McCabe, a UA alumni, would be leading this strategy to grow technology and research, through the Technology and Research Initiative Fund (TRIF). This would entail \$10M toward workforce enhancement initiatives, \$1.9 for 3 years toward IFDC infrastructure, and \$12M toward tri-university efforts. TRIF would invest \$10M in workforce enhancements by giving \$3M in future and data computing, \$2M student experiential learning, \$1M for geriatric healthcare careers, \$3M for capstones and senior design projects, and 1\$M for internships in resilience.

Additionally, TRIF will be adding \$1.9 for a 3-year total of \$5.7M to be put into IFDC infrastructure, which will invest into artificial intelligence, machine learning, multi-sensing data, scale computing, and massive storage. Lastly, IR research capacity will include infrastructure costs for improving health (\$11m), environmental solutions (\$7.5M), national security systems (\$13.2M), space exploration(\$9.5M), and workforce development (\$900K).

The remaining \$12M will be funded for tri-university efforts. It is expected to be made for proposals responsive to specific problems from state agencies, such as ozone precursor sources.

As for the current state of the infrastructure, core facilities are suffering, less than 1% of federal government funds are spent on academic research space, there has been an 80% drop in federal funding for construction for academic buildings. Solutions for the future would be modeling core administrative and oversight structure after successful peers, engaging peer leaders in planning, setting up faculty advisory committees, setting measurable, objective performance expectations, reinvesting in staff, building business and administrative tools to

reduce overhead costs, establishing a searchable inventory of cores, investments to reduce redundancy, and working with NAU and ASU to make cores available to researchers from any of the three universities.

One challenge for health care research was that the relationship with Banner was created without regulatory oversight, with Banner sharing their patient data with the UA. This is brought up as there are governance operational issues that can make a huge difference for the University of Arizona infrastructure and research.

Regarding the infrastructure, there are expansions underway that are meeting issues and some that are not. When expanding the infrastructure, the applied research building has a vacuum chamber being installed and is meeting its creation time. On the challenging side, there is a research building that is being constructed for applied sciences that has been stagnant. Furthermore, there is construction on the refinery and high bay facility. Tech Launch Arizona is set to move into the refinery as its first occupants this spring.

Additionally, there are some other challenges that affects UArizona's ability to get research done: the high turnover in research organizations and higher pay in other places across the country. There is high competition and the feedback states that many are leaving for better compensation, career growth, and ability to work remotely.

One member asked which specific college will house the future and data computing program? Cantwell stated there is no physical location as of now, and the first thing to do when Dr. McCabe is at the UA is to investigate the future of this program.

One member asked for more info on the refinery building and where it will be located. Member Cantwell and team stated there is more info here: <https://techparks.arizona.edu/parks/the-bridges/location/bridges>

Senior Leadership Updates

President Robbins stated that the wastewater testing indicates that the worst of OMICRON may be over, or that at the very least OMICRON may be heading by the right direction. The good news is that OMICRON passes less severe illness to people. Also, UArizona's capabilities to isolate those students who are positive has yielded good results.

Provost Folks echoed the sentiments of President Robbins and stated the campus is running smoothly. She is closely monitoring the county's hospitalizations and COVID rates in general.

CFO Rulney stated that two open forums for selecting the Chief of Police will be coming, one this week and the other next week. Additionally, Ryan Goodell will arrive from Washington State this Monday 1/24/2022 and the goal is to have them attend SPBAC so everyone can meet them.

Summers stated that the declaration of candidacy is now open, and asked members to please submit if there is any interest to run or know of anyone who is wanting to run.

Member Bourget expressed concern on faculty leaving UArizona. The issue with maintaining productive faculty needs to be considered before hiring outside the UA. With respect to hiring

Barney McCabe, Folks stated that the candidate selection process was picked with internal candidate in mind, but the UA was unable to find an internal candidate.

Adjourned

Meeting adjourned 9:55am.