We respectfully acknowledge the University of Arizona is on the land and territories of Indigenous peoples. Today, Arizona is home to 22 federally recognized tribes, with Tucson being home to the O’odham and the Yaqui. Committed to diversity and inclusion, the University strives to build sustainable relationships with sovereign Native Nations and Indigenous communities through education offerings, partnerships, and community service.
University Financial Update
PURPOSE
Working together to expand human potential, explore new horizons and enrich life for all.

MISSION
Continuously improve how we educate and innovate so we can lead the way in developing adaptive problem-solvers capable of tackling our greatest challenges.

CORE VALUES
INTEGRITY • COMPASSION • EXPLORATION
ADAPTATION • INCLUSION • DETERMINATION
Today’s Goals

1. HOW WE GOT HERE
   Budgeting, Decentralization, Revenue, Investing in Excellence + External Factors

2. WHERE WE ARE TODAY
   FY23 Review, FY24/25 Forecasts

3. HOW WE WILL MOVE FORWARD
   Immediate Actions, Next Steps, 18-36 months
WHAT HAPPENED:

Three Budget Models in the Last 10 Years

1. Incremental
2. Responsibility Centered Management (RCM)
3. Activity Informed Budgeting (AIB)
WHAT HAPPENED:

Lack of Unified Structure

- Business/Finance
- Facilities Management
- Human Resources
- Information Technology
- Marketing and Communications
- University Advancement
WHAT HAPPENED:

Growth: Investments in Students

Institutional Financial Aid

- FY18: $189M
- FY19: $200,000,000
- FY20: $300,000,000
- FY21: $400,000,000
- FY22:
- FY23: $362M
- FY24: $500,000,000

WHAT HAPPENED:
WHAT HAPPENED:
Lack of Growth: Net Tuition Revenue

Net Tuition Revenue Per Student

- FY18: $12,183
- FY19: $12,183
- FY20: $12,183
- FY21: $12,183
- FY22: $12,183
- FY23: $12,183
- FY24 Forecast: $12,259
WHAT HAPPENED:

Investing in Excellence

• Strategic Plan Initiatives
• Unit-level Investment in Scholarship and Students
• Institutional Funded Research
WHAT HAPPENED:

External Factors

- Inflation
- COVID
- Athletics

Nation-wide issue

“Several Colleges Face Cuts.”
~Inside Higher Education; Oct 2, 2023
WHAT HAPPENED:

Widespread Overspending
**WHAT HAPPENED:**

FY 2023 “Where did the money go?"

<table>
<thead>
<tr>
<th>Cash (in millions)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2023 Beginning Balance</strong></td>
<td>$845</td>
</tr>
<tr>
<td>Colleges and Divisions</td>
<td>($61)</td>
</tr>
<tr>
<td>Athletics Loan</td>
<td>($32)</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>($15)</td>
</tr>
<tr>
<td>Unallocated Leases/Utilities/Institutional Costs</td>
<td>($26)</td>
</tr>
<tr>
<td>27th Payroll</td>
<td>($35)</td>
</tr>
<tr>
<td>Deferred Payroll Tax (CARES Act)</td>
<td>($18)</td>
</tr>
<tr>
<td>UAGC (Positive)</td>
<td>$47</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td>($140)</td>
</tr>
<tr>
<td><strong>FY 2023 Ending Balance</strong></td>
<td>$705</td>
</tr>
</tbody>
</table>
Where we are today.
### TODAY:

**FY24 Forecast (Before Interventions)**

#### Cash (in millions)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FY 2024 Beginning Balance</strong></td>
<td>$705</td>
</tr>
<tr>
<td>College and Divisions</td>
<td>($116)</td>
</tr>
<tr>
<td>Athletics</td>
<td>($32)</td>
</tr>
<tr>
<td>Unallocated Leases/Utilities/Institutional Costs</td>
<td>($24)</td>
</tr>
<tr>
<td>Strategic Plan</td>
<td>($3)</td>
</tr>
<tr>
<td>UAGC</td>
<td>($2)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>($177)</td>
</tr>
<tr>
<td>10% Contingency</td>
<td>($18)</td>
</tr>
<tr>
<td><strong>Net Change</strong></td>
<td>($195)</td>
</tr>
<tr>
<td><strong>FY 2024 Ending Balance (projected)</strong></td>
<td>$510</td>
</tr>
<tr>
<td><strong>Projected Days Cash on Hand June 2024 Snapshot</strong></td>
<td>70</td>
</tr>
</tbody>
</table>

*based on information to date
TODAY:
Actions Already Taken to Slow Spending

- Hiring Freeze
- Compensation Freeze
- Procurement Freeze
- Travel Restriction
How we will move forward.
Protect Our Core Mission: Teaching and Research

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
Modernize Athletic Operations

*From the Ground Up*

- Centralize Administrative Functions
- Reset the Budget, Starting From Zero
- Install Hard Caps On Spending
- Enhance Revenue Outcomes
- Set Long-Term Goals

*engaging a global professional services firm to review Athletics finances and operations*
**Improve UAGC Efficiency**

*Immediately*

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Cash Impact</th>
<th>Revenue</th>
<th>Operating Expenses</th>
<th>Net Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY23</td>
<td>$47M</td>
<td>$229.8</td>
<td>$232.2</td>
<td>$(2.4M)</td>
</tr>
<tr>
<td>FY24 (projected)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY25 (projected)</td>
<td>$3.1M</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* engaging a global professional services firm to review UAGC finances and operations
Reduce Administrative Costs

Rightsize Vice President/Vice Provost (+Associate/Assistant VP) and other positions

* Working with Huron Consulting to review administrative structure

Centralize Certain Functions

Business/finance, facilities management, human resources, information technology, marketing/communications, university advancement

Improve Transparency, Budget Management and Communication

Guiding Principle: cost savings, less bureaucracy and improved outcomes
Rightsize College and Division Budgets

Then Create a new Budget Model

1. 5% Budget Reduction Planning Assumption for FY25
   - Specific rightsizing targets to be set via All Funds budgeting process

2. Reduction Scenario Planning
   - 5/10/15% reduction modeling over the next 18-36 months

3. Budget Model Reset & Rebuild
   - Go-live target January 1, 2025

4. Faculty Workload Review
   - + Explore early retirement incentives (staff & faculty)

* Working with Huron Consulting on budget restructure
Enhance Revenue

- New Financial Aid Model
- Summer/Winter Revenue
- Auxiliary Revenue Opportunities
IMMEDIATE:

Next Steps

- Centralize Facilities: Immediately
- Centralize HR operations: March 4
- Centralize IT operations: March 4
- FY25 Budget process: Feb. 1 – April 15
- New budget model in place: January 1

Metrics / Transparency / Accountability
Thank you