



Financial Analysis of the University of Arizona in the Middle of the Coronavirus Pandemic

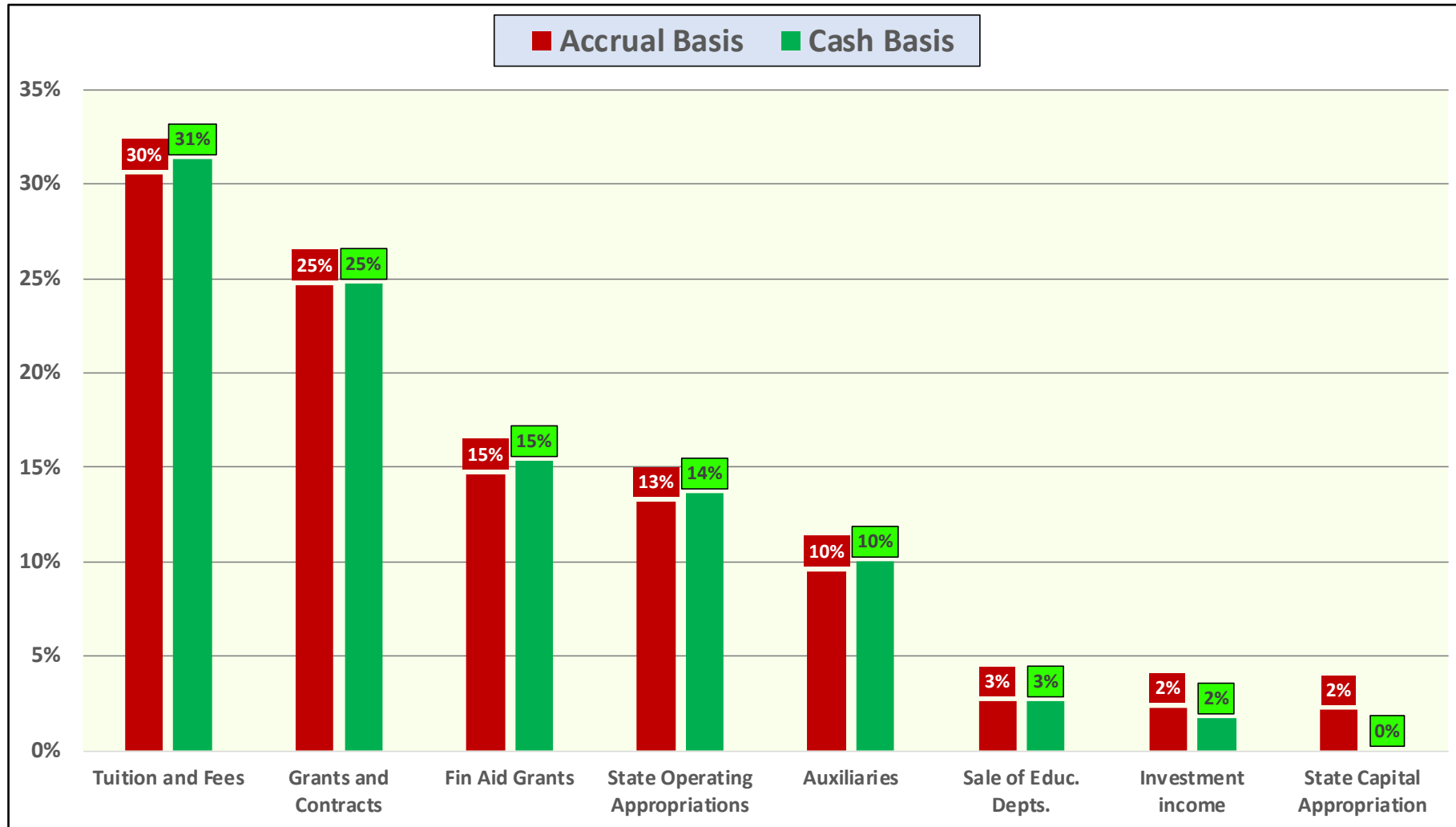
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June 25, 2020

Furloughs and Pay Cuts Announced for U of Arizona Employees April 20, 2020; Modified on May 13, 2020

- The measures are an attempt to mitigate an “extreme financial crisis” during the COVID-19 pandemic, the university says.
- Faculty and staff at the University of Arizona will be subject to temporary furloughs and pay cuts through June 30, 2021
- Also a hiring freeze and delayed plans for merit increases
- Pay cuts for top admins and scaling back new construction
- Models predict a \$250 million loss in the university’s budget due to the COVID-19 pandemic, with \$66 million lost by the end of the current fiscal year on June 30.
- Questions:
 - Is there an extreme financial crisis? Answer: There will be losses (likely much lower than reported above) **but there is NOT a financial crisis at UA**
 - Are these draconian measures necessary, or should other strategies be considered? **There is no need to lay off or furlough workers**

2019 Revenue Distribution

Source: Audited financial statements



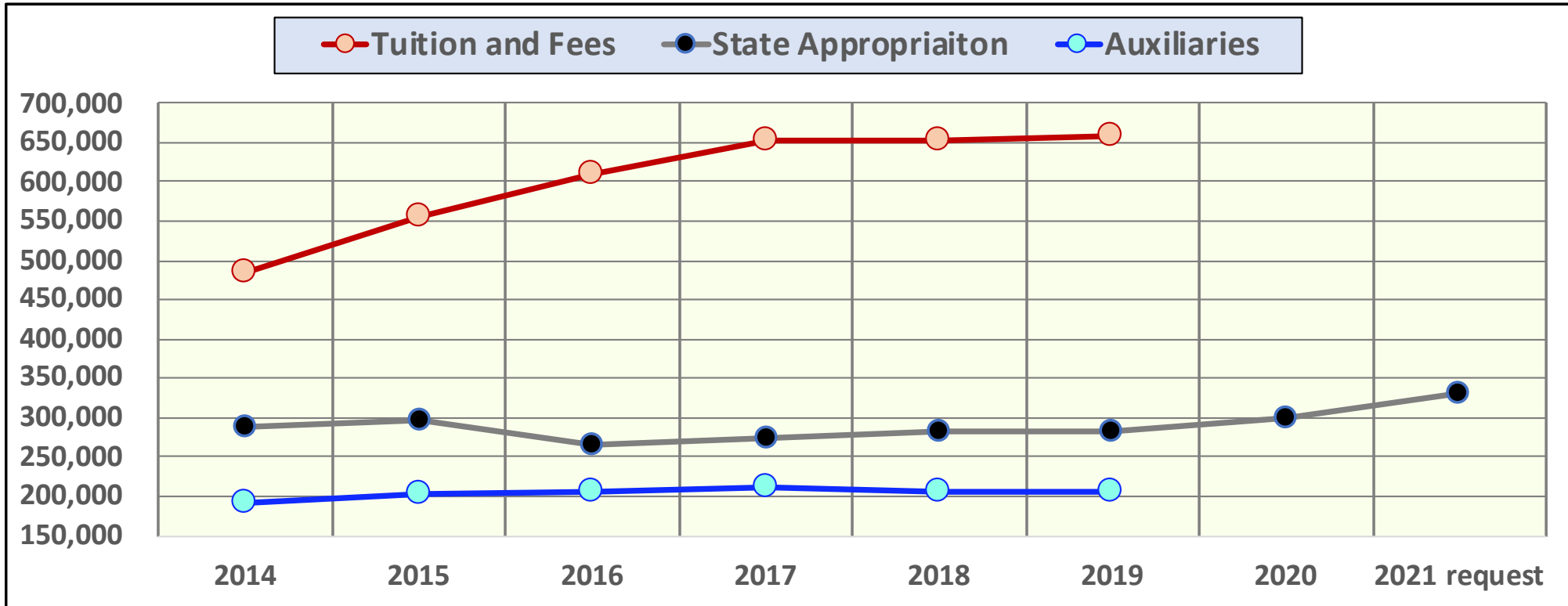
2019 Revenue Distribution: Numbers and Percentages

Source: Audited financial statements

	Accrual Basis			Cash Basis	
2019 in thousands	\$\$	% of Total		\$\$	% of Total
Tuition and Fees	658,090	30.5%		651,757	31.3%
Grants and Contracts	532,129	24.7%		514,835	24.7%
Non Capital Grants (mostly fin aid)	316,356	14.7%		319,178	15.3%
State Appropriations	283,901	13.2%		283,899	13.6%
Auxiliaries	205,457	9.5%		208,670	10.0%
Sale of Educ. Depts.	56,083	2.6%		54,283	2.6%
Investment income	48,396	2.2%		35,489	1.7%
State capital appropriations	46,233	2.1%		0	0.0%
Other Revenues	11,068	0.5%		13,510	0.6%
Total Revenues	2,157,713	100.0%		2,081,621	100.0%

Main Revenue Sources Over Time

Sources: Audited financial statements; 2021 request per <https://www.azregents.edu> (amounts in thousands)



	2014	2015	2016	2017	2018	2019	2020	2021 request
Tuition and Fees	484,809	554,768	608,679	653,725	653,519	658,090		
State Appropriation	288,614	295,502	266,282	272,764	283,552	283,901	298,901	330,901
Auxiliaries	191,163	203,740	206,710	210,496	205,468	205,457		

Revenues per Audit vs. Revenues per the 2019 UA Budget

Source: All Funds Operating Budget, 2019

First Revenue Reported in the Budget (page 10, Appendix 1-2)	
Sources in Millions:	
General Fund	277.6
Tuition & Student Fee	968.7
Other	1,396.4
Total Sources	2,642.7



Total Sources is budget-speak for everything taken in, including transfers

2019 in thousands; Page 21, Appendix 7	Cash Basis	Budget
Tuition and Fees	658,090	656,666
Grants and Contracts	532,129	690,100
Non Capital Grants (mostly fin aid)	316,356	136,620
State Appropriations	283,901	277,734
Auxiliaries	205,457	219,900
Sale of Educ. Depts.	56,083	0
Investment income	48,396	0
State capital appropriations	46,233	0
Other Revenues	11,068	147,000
Tech & Research Initiative Fund	0	29,000
Total Revenues	2,157,713	2,157,020

What Data Do We Use? Is this an analysis of the “budget?”

**Audited Financial Statements
NOT Budgets. Why not?**



- **Budgets are Just Plans**
- **What about those budget holes?**

For UA:

<https://www.fso.arizona.edu/financial-management/annual-reports>

UA Budgets at:

<https://budget.arizona.edu/content/budget-reports>

Budgets: Starts with **B** and Ends with **S**

This presentation will demonstrate that budget data is generally misleading

Students, faculty, and staff need to use financial information, not budgets, to assess the financial health and the priorities of the administration

Most budget “models” are about the administration needing excuses to:

- 1. Stop hiring tenured faculty**
- 2. Eliminate as many liberal arts programs as possible**

Comparison of Data Sources: Audited Financial Statements vs. Budgets

Audited Financial Statements report what ACTUALLY happened

Audited financial statements are certified by an independent outside auditor, using standard accounting rules and principles

Bond ratings are determined by examining numerous standard ratios from audited financial statements, as well as other data such as enrollment, applications. This is all done by an outside, independent party.

Budgets are created by university administrators, are not required to be audited or reviewed by an outside party, and budgets are not subject to standard accounting rules and principles.

Budgets are just plans that always balance

Real life does not balance.

The Latest Fads in Budgeting

- **PBB – Performance Based Budgeting**
- **RCM – Responsibility Centered Management**
- **RBB – Responsibility Based Budgeting**

What will RCM budgeting do?

- **Decentralize decision making authority**
 - **Empower and increase self-reliance**
 - **Match revenues with expenses**
 - **The budget will be data driven**
- **Each unit is treated as a cost center**
 - **“every tub on its own bottom”**
 - **Vanderbilt calls it: VU-ETOB**

Problems with RCM

- **Surges in revenue into a particular field move resources into that college and out of other colleges.**
 - **But faculty are not inter-changeable.**
 - **To deal with this possibility, schools can be forced to hire more faculty on contingent contracts who can be easily dismissed when demand for a program changes.**
- **RCM provides an incentive to increase the hiring of faculty on contingent contracts, as well as outsourcing various activities**
- **Over time, pressure can build to eliminate academic programs that are not financially self-supporting, fundamentally changing the character of the university.**

Snippet of UA Budget Analysis

Source: State Operating Budget Request, 2020-2021:

660 pages and not very helpful in understanding anything – and not even a table of contents or index!

MAIN	2019 Actual	2020 Budget	2021 Request
Instruction	270,640,200	277,263,100	277,263,100
Research	66,187,700	48,810,900	55,518,900

Another Breakdown of Instruction	2019 Actual	2020 Budget	2021 Request
Main	250,154,000	251,778,800	251,778,800
Agriculture	14,990,700	18,761,700	18,761,700
UA South	3,750,700	4,222,600	4,222,600
Agriculture Coop Extensions	0	0	0
Research Infrastructure	0	0	0
Capital Infrastructure	0	0	0
Center for the Philosophy of Freedom	1,744,800	2,500,000	2,500,000
Mining & Nat. Resource Educ Museum	0	0	0
Arizona Geological Survey	0	0	0
Arizona Financial Aid Trust	0	0	0
MAIN TOTAL	270,640,200	277,263,100	277,263,100

Another Breakdown of Research	2019 Actual	2020 Budget	2021 Request
Main	40,422,900	27,720,700	34,428,700
Agriculture	25,583,100	20,943,400	20,943,400
UA South	181,700	146,800	146,800
Agriculture Coop Extensions	0	0	0
Research Infrastructure	0	0	0
Capital Infrastructure	0	0	0
Center for the Philosophy of Freedom	0	0	0
Mining & Nat. Resource Educ Museum	0	0	0
Arizona Geological Survey	0	0	0
Arizona Financial Aid Trust	0	0	0
MAIN TOTAL	66,187,700	48,810,900	55,518,900

The 2020 All Funds Budget

21 Pages and More Useful <https://budget.arizona.edu/content/budget-reports>

- **The 2020 budget Is Not Online – and it should be – considering that the year is almost over**
- **Several ways of breaking down expenditures**
- **Use of budgets**
 - **These numbers do not match the audit or IPEDS**
IPEDS = Integrated Postsecondary Education Data System of the U.S. Dept. of Education
 - **However, to see how these items change over time can be useful**

Expense Breakdown from the All Funds Budget

Source: https://budget.arizona.edu/sites/default/files/All_Funds_2019.pdf

Category Definitions at <https://surveys.nces.ed.gov/ipeds/Downloads/Forms/IPEDSGlossary.pdf>

USES BY PROGRAMS in Millions	2018 Budget	2019 Budget	\$\$ Change	% Change	Percent of Total	
					2018 Budget	2019 Budget
Instruction	533.0	567.8	34.8	6.5%	20.6%	21.5%
Research	561.7	580.2	18.5	3.3%	21.7%	22.0%
Public Service	109.0	103.1	(5.9)	-5.4%	4.2%	3.9%
Academic Support	360.4	324.6	(35.8)	-9.9%	13.9%	12.3%
Student Services	70.3	77.3	7.0	10.0%	2.7%	2.9%
Institutional Support	308.7	320.3	11.6	3.8%	11.9%	12.1%
Auxiliary	257.4	263.6	6.2	2.4%	10.0%	10.0%
Financial Aid	275.0	291.0	16.0	5.8%	10.6%	11.0%
Plant	11.7	10.8	(0.9)	-7.7%	0.5%	0.4%
Debt Service	98.8	104.0	5.2	5.3%	3.8%	3.9%
Total Uses by Program	2,586.0	2,642.7	56.7	2.2%	100.0%	100.0%

Note that debt service is not an operating expense

Another Way to Break Down Expenses from the All Funds Budget

Source: https://budget.arizona.edu/sites/default/files/All_Funds_2019.pdf

USES BY EXPENSE in MILLIONS	2018 Budget	2019 Budget	\$\$ Change	% Change	Percent of Total	
					2018 Budget	2019 Budget
Personal Services	1,017.8	1,000.5	(17.3)	-1.7%	39.4%	37.9%
Employee Related Exp.	310.8	321.6	10.8	3.5%	12.0%	12.2%
Prof. & Outside Srvc.	182.5	184.6	2.1	1.2%	7.1%	7.0%
Travel In-State	3.2	3.1	(0.1)	-3.1%	0.1%	0.1%
Travel Out-of-State	23.6	24.6	1.0	4.2%	0.9%	0.9%
Other Oprn. Exp.	463.2	497.0	33.8	7.3%	17.9%	18.8%
Library Acquisitions	15.1	15.3	0.2	1.3%	0.6%	0.6%
Capital Equip, Land & Bldg	29.2	26.1	(3.1)	-10.6%	1.1%	1.0%
Utilities	66.9	66.3	(0.6)	-0.9%	2.6%	2.5%
Financial Aid	264.3	281.5	17.2	6.5%	10.2%	10.7%
Plant	10.1	10.8	0.7	6.9%	0.4%	0.4%
Debt Service	98.8	104.0	5.2	5.3%	3.8%	3.9%
Admin Svc Chg	22.7	23.3	0.6	2.6%	0.9%	0.9%
Indirect Cost Recovery	77.8	84.0	6.2	8.0%	3.0%	3.2%
Total Uses by Expense	2,586.0	2,642.7	56.7	2.2%	100.0%	100.0%

The last 3 categories are not operating expenses ;

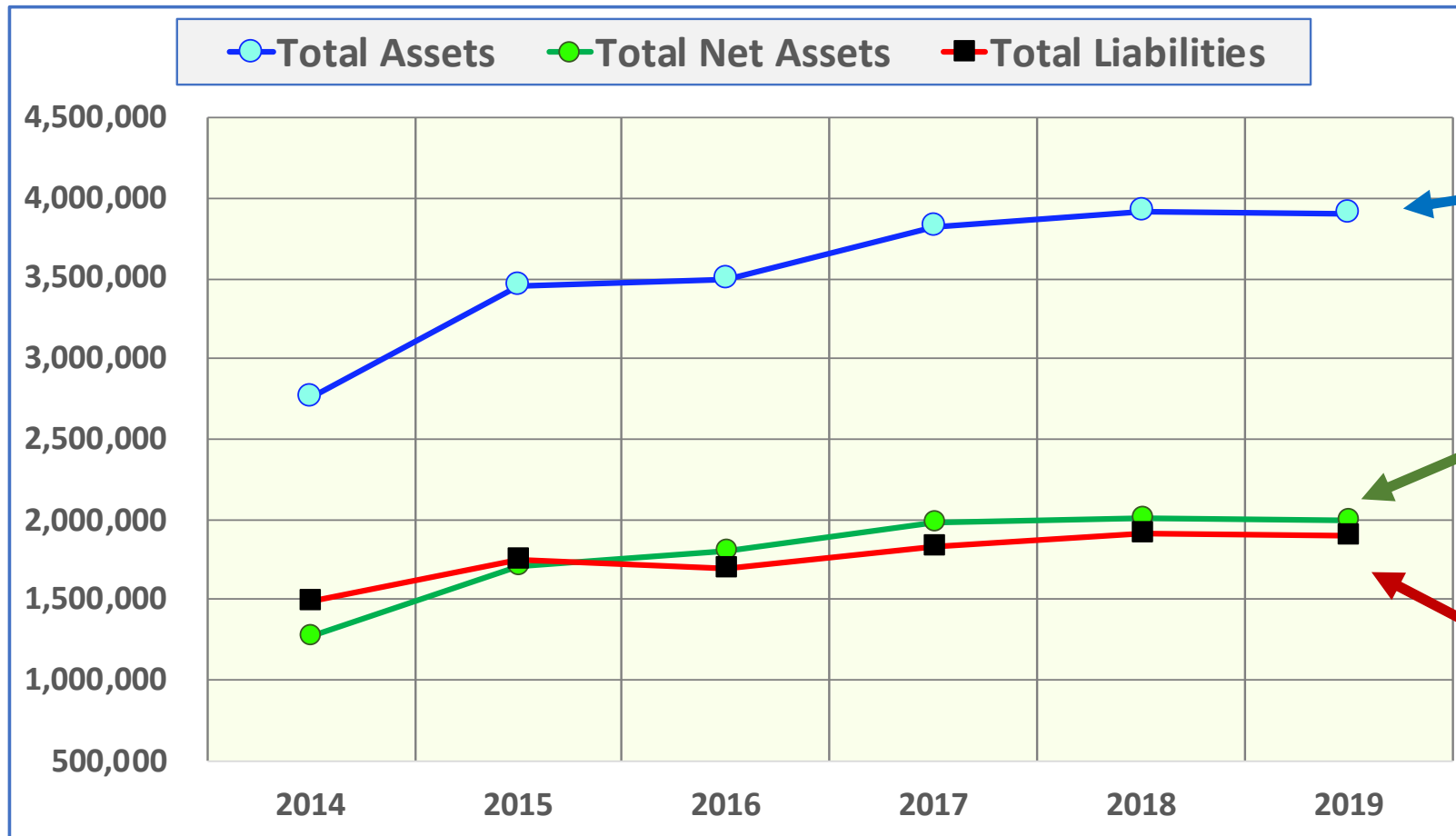
Admin service charge is _____

Financial Situation of UA as of June 30, 2019:

- **Reserves**
- **Operations**
- **Debt**
- **Bond Ratings: Solid Aa2 rating as of November 2019**

University of Arizona Balance Sheet, Adjusted for Pensions and OPEB (Blue = Green + Red)

Source: Audited financial statements; Does Not Include the Foundation (amounts in thousands)



What makes up these assets?

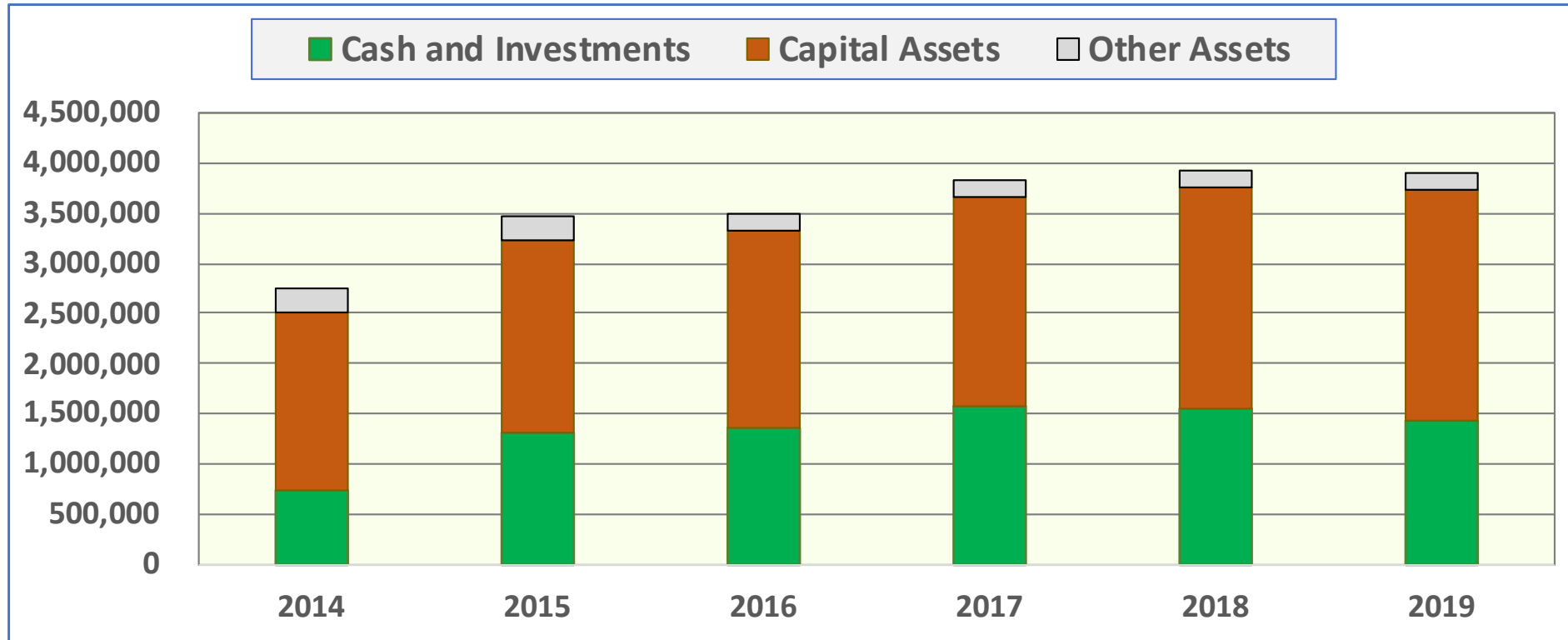
How much of the \$2 BILLION of net assets are reserves?

Is there too much debt?

Balance Sheet Breakdown: Growth in investments and buildings

None of this includes the Foundation

Source: Audited financial statements (amounts in thousands)



	2014	2015	2016	2017	2018	2019
Cash and Investments	737,087	1,308,835	1,359,444	1,577,397	1,561,375	1,445,284
Capital Assets	1,780,911	1,909,320	1,975,185	2,071,667	2,200,593	2,293,173
Other Assets	239,737	240,751	159,133	169,711	160,400	167,439
Total Assets	2,757,735	3,458,906	3,493,762	3,818,775	3,922,368	3,905,896

Balance Sheet of Component Units:

Mostly The Foundation, Plus University of Arizona Alumni Association, Law College Association of the University of Arizona, Campus Research Corporation, and Eller Executive Education

Amounts in thousands

	2014	2015	2016	2017	2018	2019
Total Assets	870,729	908,448	880,263	960,559	1,116,266	1,224,258
Total Liabilities	237,361	239,822	224,100	235,406	237,928	245,685
Total Net Assets	633,368	668,626	656,163	725,153	878,338	978,573
	2014	2015	2016	2017	2018	2019
Foundation Payments to Univ	73,409	80,295	66,255	60,992	62,072	76,961
Total UA Operating Expenses	1,702,741	1,801,631	1,882,513	1,902,851	2,007,403	2,106,906
% of Operating Expenses Covered	4.3%	4.5%	3.5%	3.2%	3.1%	3.7%
Foundation Payments to Univ	73,409	80,295	66,255	60,992	62,072	76,961
Foundation Assets	817,798	852,629	825,184	897,903	1,050,899	1,156,390
% of Assets Disbursed	9.0%	9.4%	8.0%	6.8%	5.9%	6.7%

- Of the Foundation assets of 1.2B, 1.1B was in the Foundation (almost all investments)
- The Foundation covered 3.7% of UA operating expenses in 2019
- The Foundation assets grow despite spending every year, due to contributions and market returns

Balance Sheet Detail:
Adjustment for GASB 68/71 and 75 Pensions/Retiree Health
Adjustments made by the Bond Rating Agencies (and by ASU)
Amounts in thousands

As Reported	2014	2015	2016	2017	2018	2019
Invested in Capital Assets	612,081	637,380	687,149	730,135	776,373	801,215
Restricted Non-Expendable	138,512	138,464	134,356	142,774	154,227	161,496
Restricted Expendable	161,894	218,805	238,522	241,080	244,542	233,337
Unrestricted	373,103	(124,204)	(80,965)	20,756	(135,502)	(130,727)
Total Net Assets	1,285,590	870,445	979,062	1,134,745	1,039,640	1,065,321
Adjustments	2014	2015	2016	2017	2018	2019
Deferred inflows - Pensions	0	102,399	55,773	84,280	41,356	68,574
Deferred inflows - OPEB	0	0	0	0	42,598	44,900
Deferred inflows - debt	0	252	249	234	202	190
Deferred inflows - time RQ	0	239,331	209,864	220,206	223,943	215,312
Deferred Outflows - Pensions	0	83,560	65,515	117,220	78,054	106,265
Deferred Outflows - OPEB	0	0	0	0	7,361	11,545
Deferred Outflows - debt	14,394	20,438	36,492	35,047	35,793	32,619
Pension Liability	0	604,118	631,229	647,088	623,965	590,457
OPEB Liability	0	0	26,304	45,962	161,468	167,616
Total Adjustment	(14,394)	842,102	821,412	845,503	972,324	936,620

- On the next slide, we will report what the balance sheet and true reserves are after the adjustments
- The largest adjustment is for pensions; these are on the books of UA, but they are really a liability of the state (and are on the books of the state as well)

Adjusted Balance Sheet (As reported + adjustment)

Sources: Audited financial statements (Amounts in thousands)

Adjusted Balance Sheet	2014	2015	2016	2017	2018	2019
Total Assets	2,757,735	3,458,906	3,493,762	3,818,775	3,922,368	3,905,896
Total Liabilities	1,486,539	1,746,359	1,693,288	1,838,527	1,910,404	1,903,955
Total Net Assets	1,271,196	1,712,547	1,800,474	1,980,248	2,011,964	2,001,941
Adjusted Net Assets	2014	2015	2016	2017	2018	2019
Invested in Capital Assets	612,081	637,380	687,149	730,135	776,373	801,215
Restricted Non-Expendable	138,512	138,464	134,356	142,774	154,227	161,496
Restricted Expendable	161,894	218,805	238,522	241,080	244,542	233,337
Unrestricted	358,709	717,898	740,447	866,259	836,822	805,893
Total Net Assets	1,271,196	1,712,547	1,800,474	1,980,248	2,011,964	2,001,941

	2019
Unrestricted as reported on prior slide	(130,727)
Adjustment per prior slide	936,620
True unrestricted	805,893

What are these pension and OPEB adjustments about?

- There was no pension liability on balance sheets until 2015
- In 2015, the government accounting standards board (GASB) added GASB 68, which put the liabilities for defined benefit pension plans of public universities on the balance sheet. This was done at the behest of university administrators, who wanted to make their balance sheets look worse.
- In 2018, GASB added the OPEB liability to public university balance sheets, via GASB 75;
- Neither of these liabilities are real liabilities of UA nor of any public university; that is because the real backstop is the State of Arizona. These are state obligations. In fact, these liabilities are also properly on the balance sheet of the State of Arizona.
- The bond rating agencies properly make these same adjustments, and that is reflected in the solid bond ratings of UA
- **There is no way UA would have the high bond ratings if the adjustments were not made, and unrestricted assets were negative!**

Net Asset Categories:

2019 Net Assets of \$2 Billion: Total Reserves are over \$1 BILLION

Source: Audited financial statements (amounts in thousands)

Category	Discussion	Amount	Reserves?
Invested in capital assets:	this is the value of the buildings, and this component of net assets does not tell us anything about the financial freedom or flexibility of UA. Not part of reserves	801,215	0
Restricted non-expendable net assets	These are net assets that have restrictions that do not allow for the principle of donated funds to be spent; this is mostly related to funds that have been donated to the university. Not part of reserves	161,496	0
Restricted expendable net assets	These are net assets that are set aside for a specific purpose, and the reserves can only spent for that purpose. This component IS included in the calculation of reserves by Moody's	233,337	233,337
Unrestricted Net Assets	Unrestricted means unrestricted. The administration may claim that unrestricted net assets are already spoken for. If the reserves were truly spoken for and contractually committed, the amounts would not be in the unrestricted category.	805,893	805,893
Total Net Assets		2,001,941	1,039,230

What the Administration May Claim About Reserves vs. Reality

What the Administration Will Claim	What is Reality
The reserves are not nearly that high, as so much of the reserves are restricted by the endowment and donor restrictions	The unrestricted reserves do not include any funds restricted by donors
Most of the reserves are already designated by Board policy for important student initiatives; even if we wanted to move some of the funds, we are not allowed to do so	If there is a firm, no-way-you-can-get-out-of-it commitment, then the external auditors would put those funds in the restricted-expendable category of net assets; the Board may have voted for certain initiatives, but those priorities can be changed at the discretion of the Board.
Reserves cannot be spent on recurring expenses such as faculty salaries, and we would be violating our fiduciary responsibility if we used reserves in a haphazard manner	Reserves should not be spent on recurring expenses, but reserves ARE there for this exact purpose: to deal with temporary and unexpected declines in revenues or increase in expenses. That is EXACTLY the situation we are in now with the coronavirus pandemic

Definitions of Net Assets Reported by the UA Administration: Page 23 of the 2019 Audited Statements

Invested in Capital Assets

Historical cost of capital assets reduced by the balance of related outstanding debt and accumulated depreciation

RESTRICTED – NON-EXPENDABLE

Funds that are required to be retained in perpetuity

RESTRICTED – EXPENDABLE

Amounts restricted by external parties for such things as debt service, academic and departmental uses, scholarships and fellowships, and capital projects

UNRESTRICTED

Amounts institutionally designated or committed to support specific academic and research programs and for working capital requirements.

Restricted Non-Expendable and Restricted Expendable Net Assets

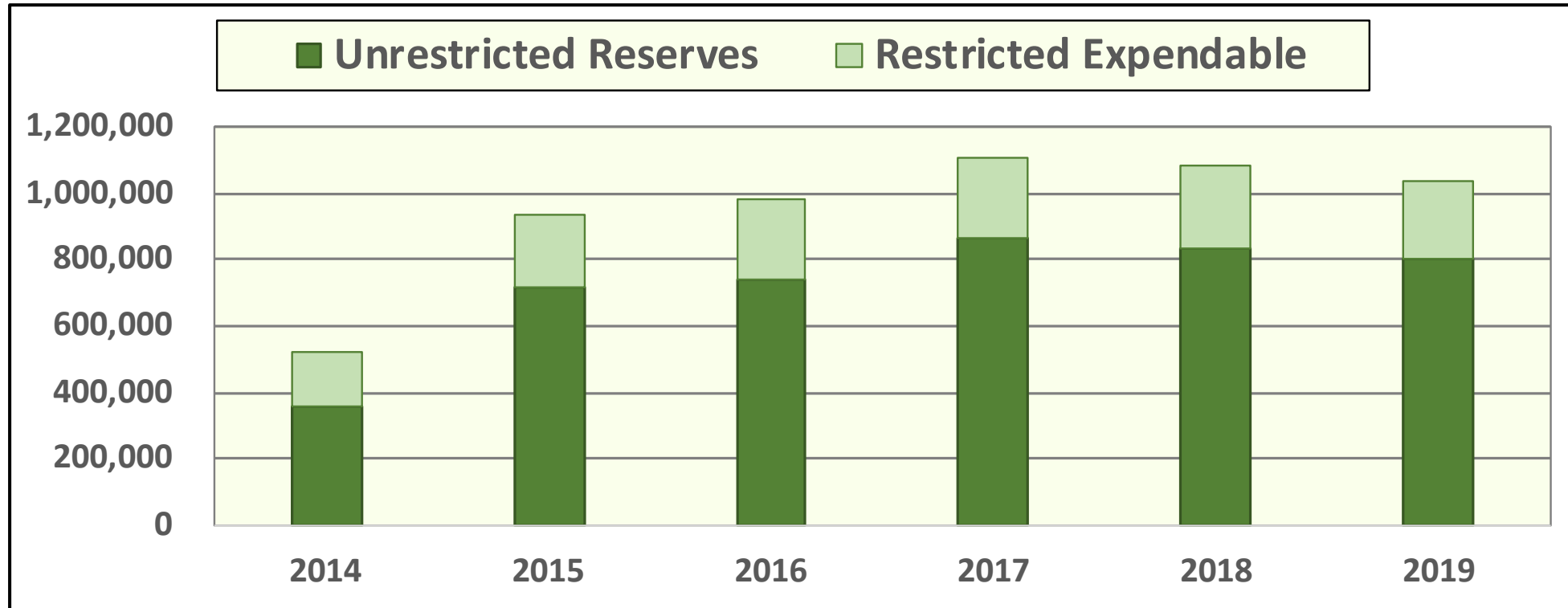
Source: Audited financial statements (amounts in thousands)

Restricted Non Expendable Detail	2014	2015	2016	2017	2018	2019
Endowments	116,658	115,690	110,751	118,840	127,940	133,254
Student loans	21,854	22,774	23,605	23,934	26,287	28,242
Total Restricted Non-Expendable	138,512	138,464	134,356	142,774	154,227	161,496
Restricted Expendable Detail	2014	2015	2016	2017	2018	2019
Scholarships and fellowships	20,695	19,522	17,920	16,772	13,533	10,154
Academic/departmental uses	111,328	176,851	187,742	192,320	184,852	175,760
Capital projects	17,505	5,072	8,076	7,377	21,423	22,802
Debt service	12,366	17,360	24,784	24,611	24,734	24,621
Total Restricted expendable	161,894	218,805	238,522	241,080	244,542	233,337

- Restricted non-expendable are not part of reserves
- Restricted expendable are part of reserves, though the amounts must be spent on the items in the bottom table; they count as reserves because it is advantageous to have definitive needs covered

Reserves Over Time

Source: Audited financial statements (amounts in thousands)



	2014	2015	2016	2017	2018	2019
Unrestricted Reserves	358,709	717,898	740,447	866,259	836,822	805,893
Restricted Expendable	161,894	218,805	238,522	241,080	244,542	233,337
Total Reserves	520,603	936,703	978,969	1,107,339	1,081,364	1,039,230

Reserves In Context – Primary Reserve Ratio

Amounts in thousands

	2014	2015	2016	2017	2018	2019
Unrestricted	358,709	717,898	740,447	866,259	836,822	805,893
Restricted Expendable	161,894	218,805	238,522	241,080	244,542	233,337
Total Reserves	520,603	936,703	978,969	1,107,339	1,081,364	1,039,230
Total Expenses	1,753,337	1,847,924	1,932,261	1,954,104	2,060,678	2,161,978
Primary Reserve Ratio	30%	51%	51%	57%	52%	48%
Number of Months in Reserve	3.6	6.1	6.1	6.8	6.3	5.8
Primary Reserve Ratio Based on Unrestricted Only	20%	39%	38%	44%	41%	37%
Number of Months in Reserve Based on Unrestricted Only	2.5	4.7	4.6	5.3	4.9	4.5

Total Reserves = Unrestricted + Restricted Expendable

Primary Reserve Ratio = Total Reserves / Total Expenses

Number of Months = Primary Reserve Ratio * 12

Anything over 3 months is considered solid, as we will see with the Moody's scorecard

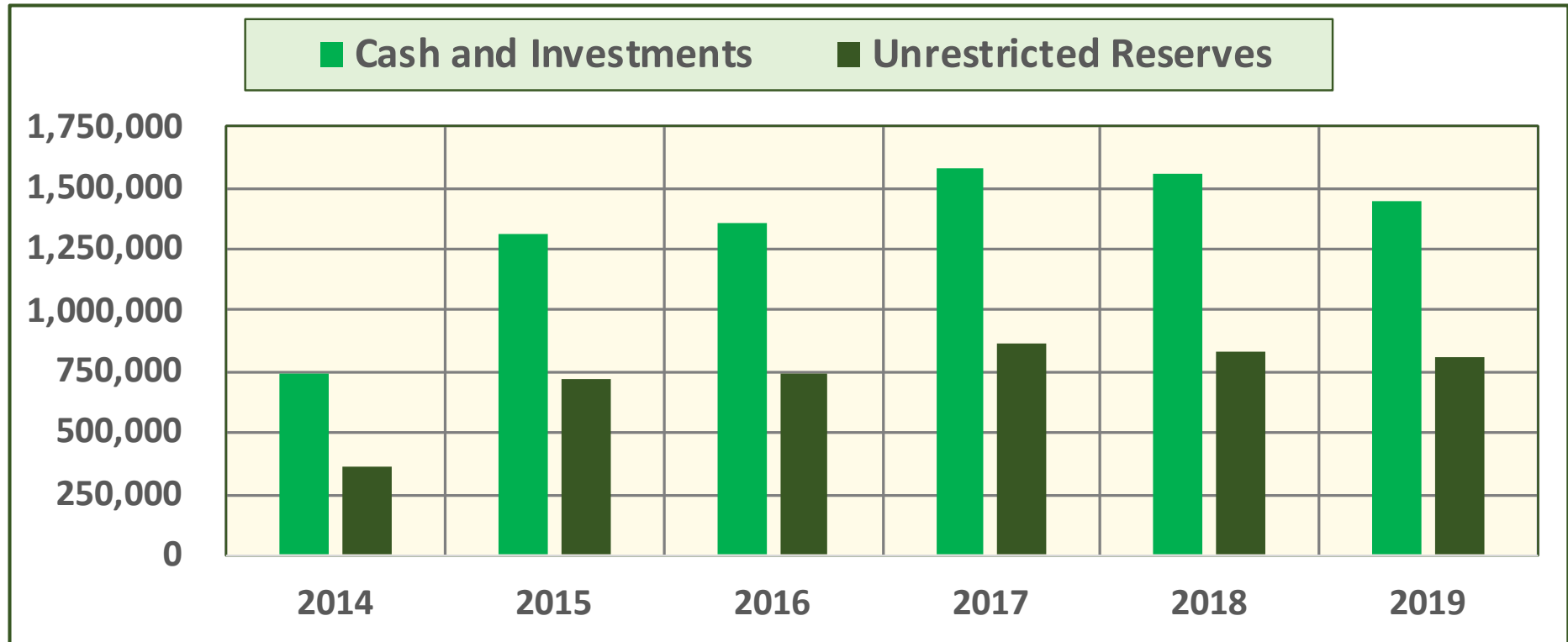
Primary Reserve Ratio: Admin Calculations (in audited statements) vs. Reality

2019 in Thousands	UA Admin	Reality
Unrestricted university	(130,727)	805,893
Restricted expendable university	233,337	233,337
Reserves of Component Units	183,792	0
Total Expendable Net Assets (Total Reserves)	286,402	1,039,230
Total Expenses	2,290,582	2,161,978
Primary Reserve Ratio	13%	48%

- The administration does not make any adjustment for GASB 68 and 75, as Moody's and all analysts do
- The administration includes the reserves from the Foundation; reality is that those funds cannot be used freely, so they are not included in the reality column
- The expenses are higher per the admin as they include the expenses of the Foundation
- **There is no way UA would have an Aa2/3 bond rating with a 13% primary reserve ratio; 48% is reality**

Total Reserves vs. Cash and Investments Over Time

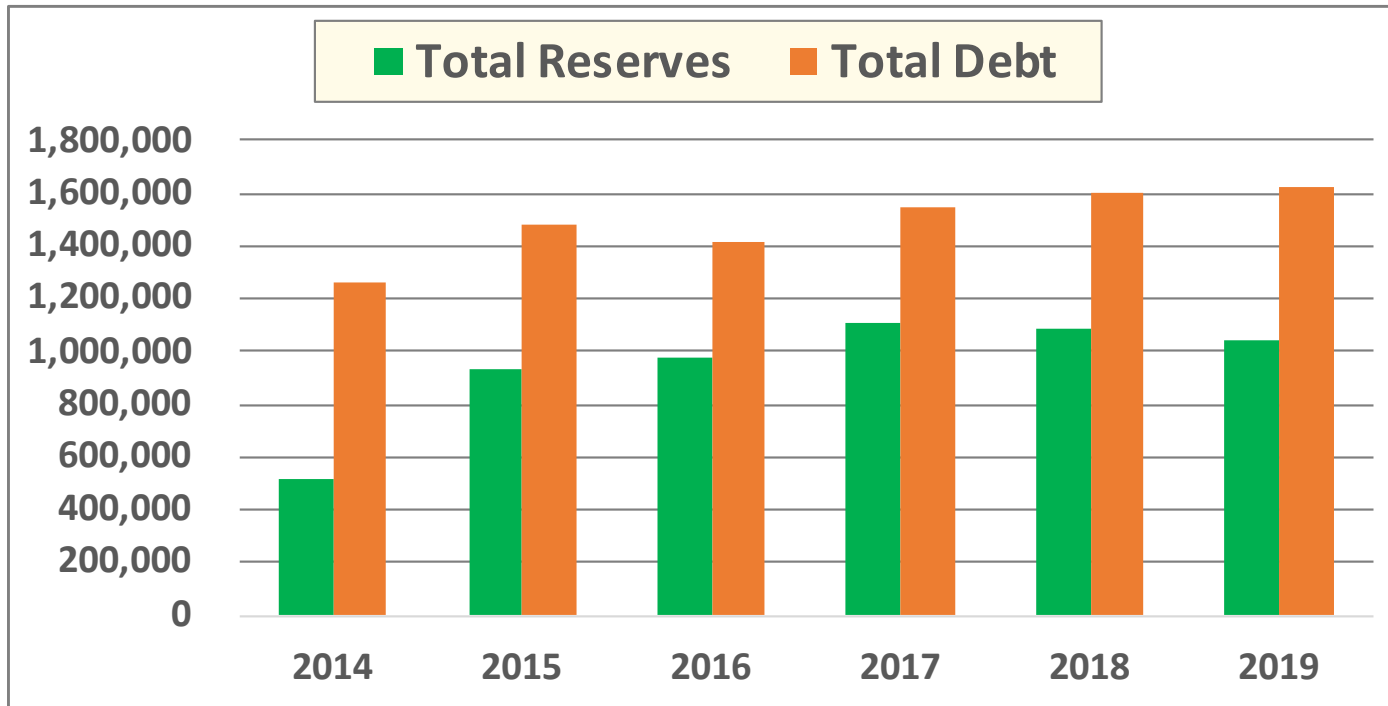
Source: Audited financial statements (amounts in thousands)



In thousands; Foundation EXCLUDED	2014	2015	2016	2017	2018	2019
Cash and Investments	737,087	1,308,835	1,359,444	1,577,397	1,561,375	1,445,284
Unrestricted Reserves	358,709	717,898	740,447	866,259	836,822	805,893
Total Reserves	520,603	936,703	978,969	1,107,339	1,081,364	1,039,230

Reserves Compared to Debt: Viability Ratio

Viability Ratio = Total Reserves/Debt (amounts in thousands)



Debt does not get paid off in one year; in fact, it is paid off over decades

The level of debt is somewhat high and growing, but reserves are also high and growing

The average interest rate was 3.4% in 2019, with interest expense at \$55M; an extra 0.5% point if UA borrowed to meet the crisis would cost about \$8M, or 0.4% of total expenses

	2014	2015	2016	2017	2018	2019
Unrestricted	358,709	717,898	740,447	866,259	836,822	805,893
Restricted Expendable	161,894	218,805	238,522	241,080	244,542	233,337
Total Reserves	520,603	936,703	978,969	1,107,339	1,081,364	1,039,230
Total Debt	1,259,686	1,478,536	1,419,747	1,548,735	1,600,963	1,621,014
Viability Ratio	41%	63%	69%	71%	68%	64%

Cash Flow Margin

Source: Audited financial statements (amounts in thousands)

	2014	2015	2016	2017	2018	2019
Tuition and Fees	496,014	547,762	612,208	656,978	655,530	651,757
Grants and Contracts	430,628	485,200	549,027	517,882	494,636	514,835
Non-capital grants, contracts, gifts	270,425	539,899	372,284	290,804	321,692	319,178
State Appropriation Operating	265,038	270,538	241,257	245,146	254,789	252,931
Auxiliary receipts	189,265	203,836	206,168	210,662	208,167	208,670
Sales and Svc of Educ Depts	45,006	50,241	52,151	52,832	52,769	54,283
State Appropriation Sales Tax	24,514	24,589	24,910	27,503	28,679	30,968
Other receipts	16,348	29,708	13,890	18,621	18,219	13,510
Total Cash Inflows	1,737,238	2,151,773	2,071,895	2,020,428	2,034,481	2,046,132
Payments for salaries and benefits	(1,043,807)	(1,111,315)	(1,216,738)	(1,211,228)	(1,306,674)	(1,366,686)
Payments to suppliers	(468,261)	(483,652)	(450,675)	(482,322)	(526,752)	(568,028)
Payments for scholarships/fellow	(66,488)	(59,125)	(54,094)	(57,656)	(57,836)	(61,665)
Total Cash Outflows	(1,578,556)	(1,654,092)	(1,721,507)	(1,751,206)	(1,891,262)	(1,996,379)
Net Operating Cash Flows	158,682	497,681	350,388	269,222	143,219	49,753
As a % of Total Cash Inflows	9.1%	23.1%	16.9%	13.3%	7.0%	2.4%

Cash inflows do NOT include:

- Proceeds from borrowing money
- State capital appropriations
- Capital grants

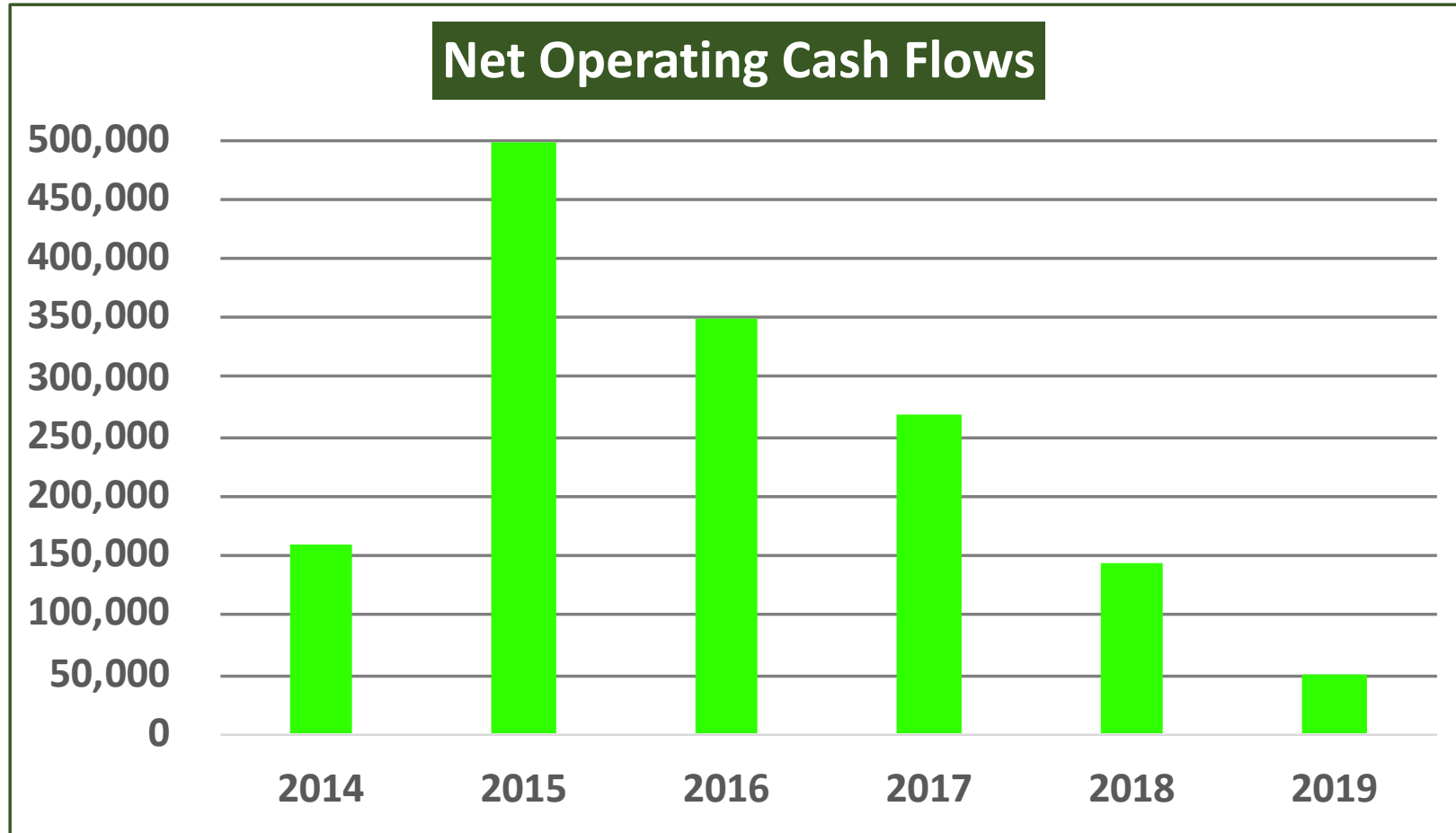
Cash outflows do NOT include:

- Debt principle payments
- Payments for capital assets

Cash Flows Graphically:

UA is Generating Positive Excess Cash Flows Every Year, though lower in 2019

Amounts in thousands



**Is this trend troubling?
The bond rating agencies
reported the decline**

**However, the UA
administration convinced
Moody's and S&P that it
will improve; they are
likely telling their
employees a different
story**

Why Are Cash Flows Lower in 2019 than 2018

(Mentioned as a challenge in both bond reports) Amounts in thousands

	2018	2019	\$\$ Change	% Change
Tuition and Fees	655,530	651,757	(3,773)	-0.6%
Grants and Contracts	494,636	514,835	20,199	4.1%
Non-capital grants, contracts, gifts	321,692	319,178	(2,514)	-0.8%
State Appropriation Operating	254,789	252,931	(1,858)	-0.7%
Auxiliary receipts	208,167	208,670	503	0.2%
Sales and Svc of Educ Depts	52,769	54,283	1,514	2.9%
State Appropriation Sales Tax	28,679	30,968	2,289	8.0%
Other receipts	18,219	13,510	(4,709)	-25.8%
Total Cash Inflows	2,034,481	2,046,132	11,651	0.6%
Payments for salaries and benefits	(1,306,674)	(1,366,686)	(60,012)	4.6%
Payments to suppliers	(526,752)	(568,028)	(41,276)	7.8%
Payments for scholarships/fellow	(57,836)	(61,665)	(3,829)	6.6%
Total Cash Outflows	(1,891,262)	(1,996,379)	(105,117)	5.6%

Total revenues inflows by 0.6%, with no major changes

Total outflows increased by 5.6%; the biggest % increase was the increase in the payments to suppliers

Three Different Constructs

Total Cash and Investments

The value of the cash, stocks, bonds, money markets, checking accounts, savings accounts, etc. that UA has at the end of each period.

Net Cash Flows

Every year, the total cash in less the total cash out;

Cash in = tuition, State appropriation, grants, contracts, investment income

Cash out = paying employees, vendors, interest

Does not include non-operational items, such as cash in from borrowing, state capital appropriation, debt principle payments, payments for new capital items (buildings, cars)

Reserves

Indicates that the administration has access to funds that this represents;

Some of the reserves can only be used for certain purposes (restricted expendable)

Most of the reserves for UA are unrestricted

The level of cash and investments suggests these reserves are liquid

Moody's Ratio Framework

- **Moody's created a new comprehensive framework to determine bond ratings in 2015, then updated this in both December 2017 and May of 2019. The goal is to analyze ratios that define the overall financial health of the institution.**
- **There are a total of 10 factors utilized, and they cover revenue, expense, reserves, cash flows, liquidity, and debt.**
- **This framework is much more comprehensive than the factors reported by the administration in the audited financial statements, though the two ratios that overlap are the primary reserve and viability ratios**

Moody's Scorecard For 2019, UA at Aa2/3

			UA is Aa2/3 in 2019						
		Aaa	Aa	A	Baa	Ba	B	Caa	Ca
Factor 1: Market Profile (30%)	Sub-Weight	Exceptional	Excellent	Very Good	Good	Fair	Poor	Very Poor	Very Poor
Operating Revenues (\$000)	15%	Greater than 2.7 Billion	400M to 2.7 Billion	75 Million to 400 Million	40 Million to 75 Million	30 Million to 40 Million	20 Million to 30 Million	8 Million to 20 Million	Less than 8 Million
Annual Change in Operating Revenue (%)	5%	> 8%	6% to 8%	4% to 6%	2% to 4%	0% to 2%	-6% to 0%	-6% to -11%	< -11%
Strategic Positioning	10%	Exceptional							
Factor 2; Operating Performance (25%)									
Operating Cash Flow Margin (%)	10%	> 20%	11% to 20%	4.5% to 11%	1% to 4.5%	-2% to 1%	-3.5% to -2%	-5% to -3.5%	< -5%
Revenue diversity (max single contribution %)	15%	< 35%	35% to 50%	50% to 69%	69% to 79%	79% to 87%	87% to 93%	93% to 97%	> 97%
Factor 3: Wealth and Liquidity (25%)									
Total Cash and Investments	10%	> 2.5 billion	100 million to 2.5 billion	25 million to 100 million	10 million to 25 million	2.3 million to 10 million	900k to 2.3 million	350k to 900k	< 350k
Reserves to Operating Expenses (%)	10%	> 100%	50% to 100%	15% to 50%	5% to 15%	4.4% to 5%	3.8% to 4.4%	3.2% to 3.8%	< 3.2%
Monthly Days Cash on Hand	5%	> 260	140 to 260	50 to 140	25 to 50	14 to 25	8 to 14	6 to 8	< 6
Factor 4: Leverage (20%)									
Reserves to Debt (%) (high is better)	10%	> 300%	75% to 300%	20% to 75%	12% to 20%	6% to 12%	3.5% to 6%	2.1% to 3.5%	< 2.1%
Debt-to-Cash Flow (x) (low is better)	10%	< 4	4 to 10	10 to 16	16 to 22	22 to 34	34 to 46	46 to 58	> 52 > 58

Process: Ratios Mapping into Ratio Scores and Bond Ratings

UA gets a score for each of the 10 variables, based on the level of the ratio; the scores are then compiled; For 2014 to 2019 UA has been at A1, Aa2 or Aa3

Aaa	1
Aaa	3
Aaa	6
Baa	9
Baa	12
Baa	15
Caa	18
Caa	20

Scorecard Outcome	Score (Low is better)
Aaa	Less than 1.5
Aa1	1.5 to 2.5
Aa2	2.5 to 3.5
Aa3	3.5 to 4.5
A1	4.5 to 5.5
A2	5.5 to 6.5
A3	6.5 to 7.5
Baa1	7.5 to 8.5
Baa2	8.5 to 9.5
Baa3	9.5 to 10.5
Ba1	10.5 to 11.5
Ba2	11.5 to 12.5
Ba3	12.5 to 13.5
B1	13.5 to 14.5
B2	14.5 to 15.5
B3	15.5 to 16.5
Caa1	16.5 to 17.5
Caa2	17.5 to 18.5
Caa3	18.5 to 19.5
Ca	More than 19.5

UA Moody's 10-Ratio Factor Details

Amounts in thousands

Factor 1:	2014	2015	2016	2017	2018	2019	2014	2015	2016	2017	2018	2019
Operating Revenues	Aa	Aa	Aa	Aa	Aa	Aa	1,737,238	2,151,773	2,071,895	2,020,428	2,034,481	2,046,132
Change in Operating Revenue	Ba	Aaa	B	B	Ba	Ba	1.3%	23.9%	-3.7%	-2.5%	0.7%	0.6%
Strategic Reporting	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa	Top	Top	Top	Top	Top	Top
Factor 2:												
Cash Flow Margin	A	Aaa	Aa	Aa	A	Baa	9.1%	23.1%	16.9%	13.3%	7.0%	2.4%
Tuition + Aux Revenue							685,279	751,598	818,376	867,640	863,697	860,427
Total Revenue - Pell Grants							1,737,238	2,151,773	2,071,895	2,020,428	2,034,481	2,046,132
Revenue Diversity	Aa	Aa	Aa	Aa	Aa	Aa	39.4%	34.9%	39.5%	42.9%	42.5%	42.1%
Factor 3:												
Cash and Investments	Aa	Aa	Aa	Aa	Aa	Aa	737,087	1,308,835	1,359,444	1,577,397	1,561,375	1,445,284
Primary Reserve Ratio	A	Aa	Aa	Aa	Aa	A	30%	51%	51%	57%	52%	48%
Monthly Days Cash on Hand	Aa	Aa	Aa	Aa	Aa	Aa	146	173	202	229	214	192
Factor 4:												
Viability Ratio	A	A	A	A	A	A	41%	63%	69%	71%	68%	64%
Debt							1,259,686	1,478,536	1,419,747	1,548,735	1,600,963	1,621,014
Cash Flows							158,682	497,681	350,388	269,222	143,219	49,753
Debt-to-Cash Flow	Aa	Aaa	Aa	Aa	A	Ba	7.9	3.0	4.1	5.8	11.2	32.6

UA Ratio Scores, 2016 to 2019

Low is Better

	2014	2015	2016	2017	2018	2019	Weight	2014	2015	2016	2017	2018	2019
Operating Revenues	3	3	3	3	3	3	15%	0.45	0.45	0.45	0.45	0.45	0.45
Change in Revenues	12	1	15	15	12	12	5%	0.60	0.05	0.75	0.75	0.60	0.60
Strategic Positioning	1	1	1	1	1	1	10%	0.10	0.10	0.10	0.10	0.10	0.10
Cash Flow Margin	6	1	3	3	6	9	10%	0.60	0.10	0.30	0.30	0.60	0.90
Revenue Diversity	3	3	3	3	3	3	15%	0.45	0.45	0.45	0.45	0.45	0.45
Cash and Investments	3	3	3	3	3	3	10%	0.30	0.30	0.30	0.30	0.30	0.30
Primary Reserve	6	3	3	3	3	6	10%	0.60	0.30	0.30	0.30	0.30	0.60
Cash on Hand	3	3	3	3	3	3	5%	0.15	0.15	0.15	0.15	0.15	0.15
Viability	6	6	6	6	6	6	10%	0.60	0.60	0.60	0.60	0.60	0.60
Debt-to-Cash Flow	6	3	3	3	6	12	10%	0.60	0.30	0.30	0.30	0.60	1.20
Total Score								4.45	2.80	3.70	3.70	4.15	5.35
Total Score Maps to Bond Rating								A1	Aa2	Aa3	Aa3	Aa3	A1

- The lower score in 2019 is driven by the lower cash flow ratios (cash flow margin and debt-to-cash flow), which were cited by both Moody's and S&P
- The actual bond rating is higher than the score indicates, but reading the bond summary, it is clear the UA administration convinced the bond raters that cash flow would improve

Moody's Aa2/3 Rating, November 2019

Source: <https://www.moody.com/credit-ratings/University-of-Arizona-AZ-credit-rating-600023946>

Past Ratings:

A1 in 2015

Aa3 in 2017

Aa2 in 2016

Aa2 in 2018

Strengths:

- Flagship and land-grant institution,
- Important position in the provision of medical education for the State of Arizona
- Excellent strategic positioning
- \$2.1 billion scope of operations,
- solid student demand,
- improved fund-raising traction,
- Sizable, growing sponsored research profile.

Challenges:

- Softening of operating cash flow margins due to investments in student financial aid to build a stronger student quality profile.
- Elevated financial aid for fiscal years 2018-2020 is being funded by earmarked reserves
- High financial leverage is tempered by state support for roughly 30% of debt service, which is additionally favorable given historically weak state operating and direct capital support.

Standard & Poor's AA- Rating: December 2019

Source: https://www.standardandpoors.com/en_US/web/guest/article/-/view/type/HTML/id/2351191

Strengths:

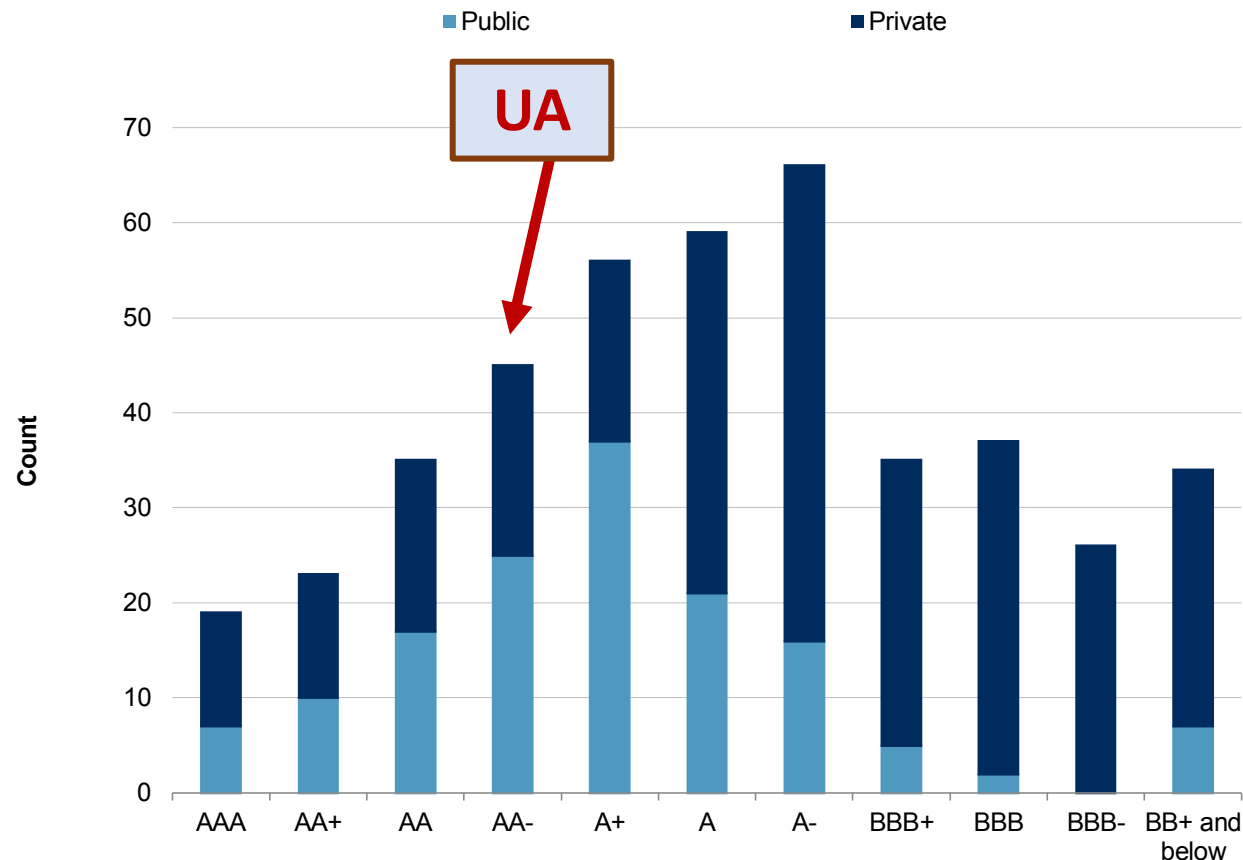
- **Flagship research institution**
- **Stable enrollment**
- **Solid state support for debt service**
- **Good revenue diversity**
- **Positive cash operations**

Challenges:

- **The university's continued low financial resource ratios compared with those of its peer institutions**
- **Above-average pro forma maximum annual debt service burden.**

Standard and Poor's 2019 Rating Distribution and Bond ratings of Peer Institutions (Peers per UA Administration)

Higher Education 2019 Rating Distribution



	Moody's	S&P
Texas A&M University	Aaa	AAA
UT Austin	Aaa	AAA
UNC Chapel Hill	Aaa	AAA
UW	Aaa	AA+
Ohio State	Aa1	AA
Penn State	Aa1	AA
Maryland	Aa1	AA+
Iowa	Aa1	AA-
Minnesota	Aa2	AA
Mich State	Aa2	AA
Arizona	Aa2	AA-
UC Davis	Aa2	AA-
UCLA	Aa2	AA-
Florida	Aa2	no rating
UIUC	A1	A-
University of Wisconsin,	no rating	no rating

A Troubling Statement in the Outlook Section of the 2019 Audited Financial Statements

“The University of Arizona continuously evaluates programmatic and institutional changes necessary to serve as a center for advanced graduate and professional studies while emphasizing research and providing excellence in undergraduate programs.

University management has been diligently working to develop long and short-term strategic plans to address these programmatic and institutional changes and other challenges to the financial health of the institution.

At the same time, the Arizona Board of Regents and the three State universities are actively evaluating creative solutions to contain costs and generate new revenues in order to continue providing quality and affordable education.”

- Lots of buzzwords**
- Potential program elimination = They want your cover to make the changes they have always wanted, and will likely make with or without your input and consent**

Examination of Tuition and Fee Revenue

- **Enrollment Levels and Changes**
- **Tuition Price and Discount Rate**

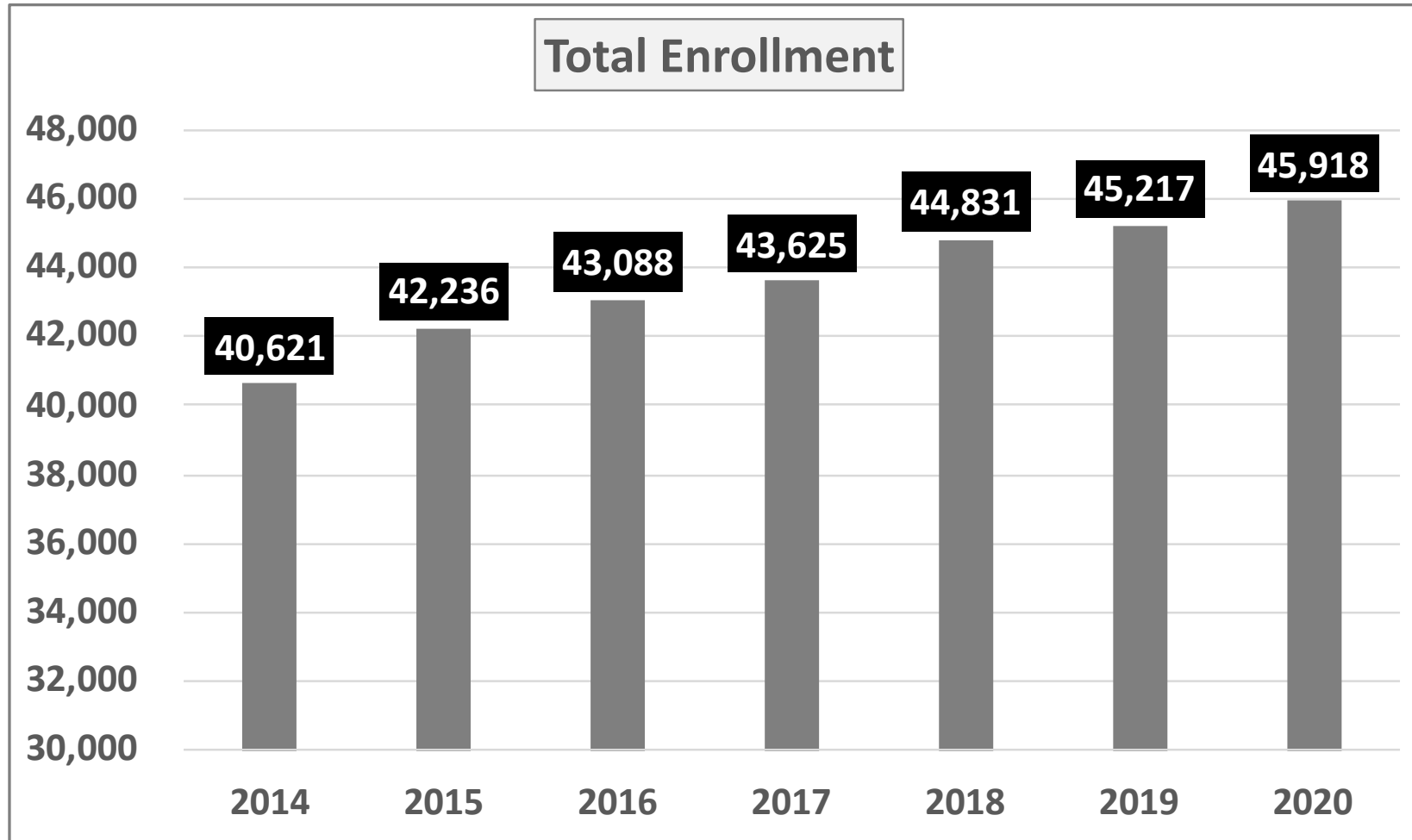
Headcount Enrollment

Source: <https://uair.arizona.edu/content/enrollment>

	2014	2015	2016	2017	2018	2019	2020
Undergrad	31,670	32,987	33,732	34,072	35,123	35,233	35,801
Grad	8,951	9,249	9,356	9,553	9,708	9,984	10,117
Total Enrollment	40,621	42,236	43,088	43,625	44,831	45,217	45,918
Number Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	
Undergrad	1,317	745	340	1,051	110	568	
Grad	298	107	197	155	276	133	
Total Enrollment	1,615	852	537	1,206	386	701	
Percentage Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	
Undergrad	4.2%	2.3%	1.0%	3.1%	0.3%	1.6%	
Grad	3.3%	1.2%	2.1%	1.6%	2.8%	1.3%	
Total Enrollment	4.0%	2.0%	1.2%	2.8%	0.9%	1.6%	

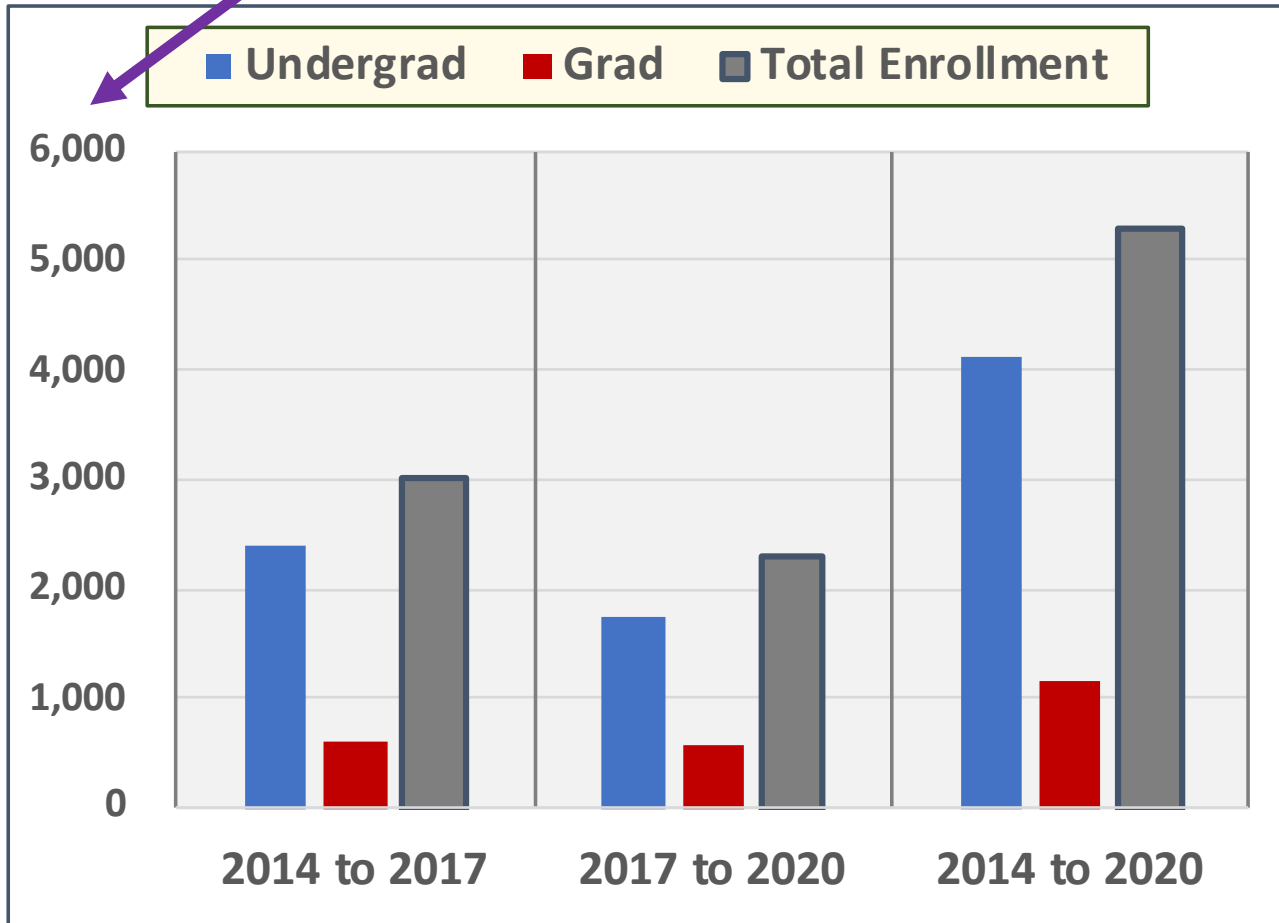
Total Headcount Enrollment Graphically

Source: <https://uair.arizona.edu/content/enrollment>



Long-Term Number and Percentage Changes in Enrollment

Source: <https://uair.arizona.edu/content/enrollment>

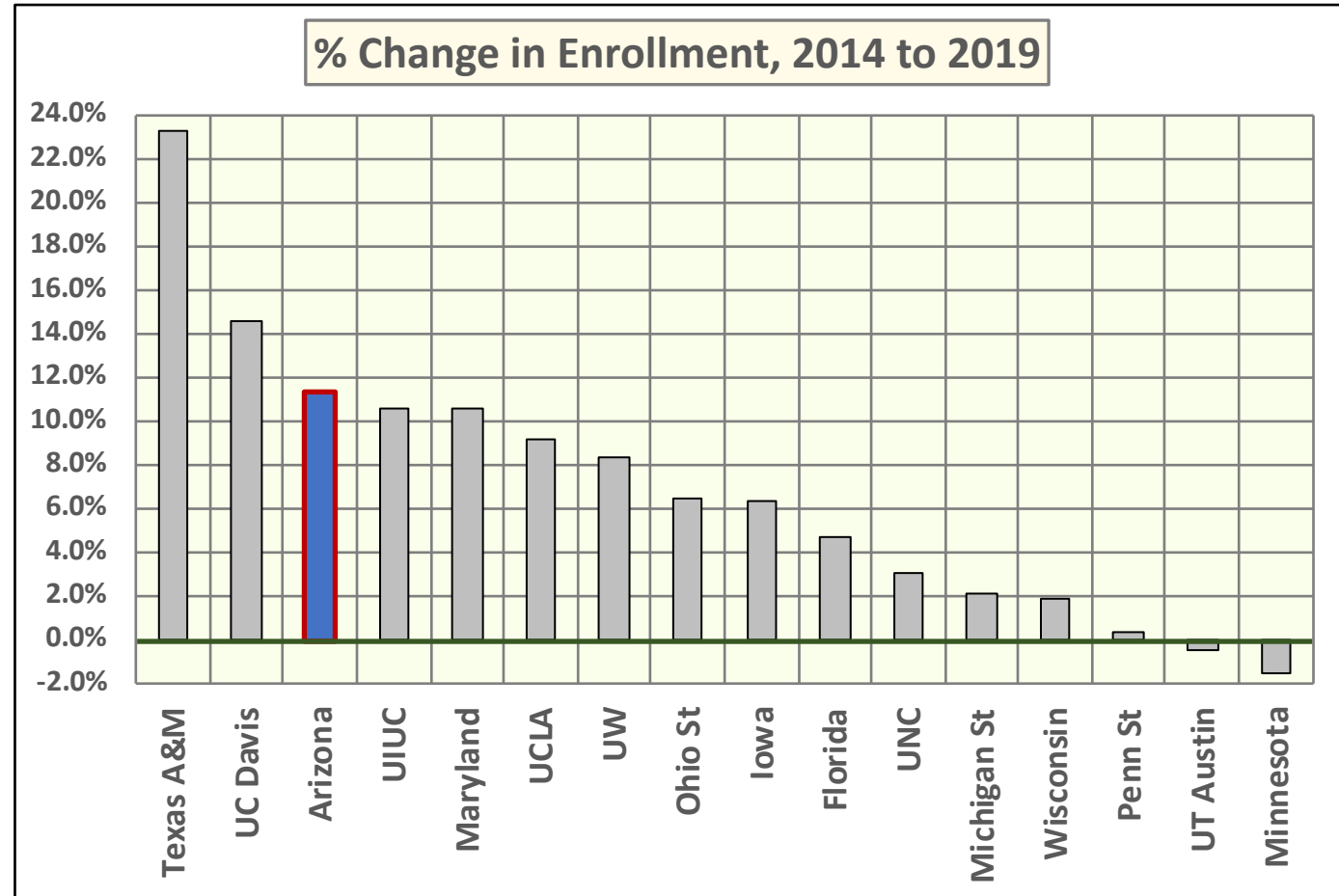


Number Changes	2014 to 2017	2017 to 2020	2014 to 2020
Undergrad	2,402	1,729	4,131
Grad	602	564	1,166
Total Enrollment	3,004	2,293	5,297
Percentage Changes	2014 to 2017	2017 to 2020	2014 to 2020
Undergrad	7.6%	5.2%	12.2%
Grad	6.7%	6.1%	12.5%
Total Enrollment	7.4%	5.4%	12.3%

Enrollment Growth from 2015 to 2019 vs. Peer Institutions

Source: IPEDS (Integrated Postsecondary Education Data System of the U.S. Dept. of Education)

Headcount	2014	2019	% Change
Texas A&M	55,697	68,679	23.3%
UC Davis	33,307	38,167	14.6%
Arizona	40,621	45,217	11.3%
UIUC	44,942	49,702	10.6%
Maryland	37,272	41,200	10.5%
UCLA	40,795	44,537	9.2%
UW	43,762	47,400	8.3%
Ohio St	57,466	61,170	6.4%
Iowa	29,748	31,656	6.4%
Florida	49,878	52,218	4.7%
UNC	29,127	30,011	3.0%
Michigan St	49,317	50,351	2.1%
Wisconsin	42,677	43,463	1.8%
Penn St	46,615	46,810	0.4%
UT Austin	52,059	51,832	-0.4%
Minnesota	51,526	50,734	-1.5%
Peer Mean	44,279	47,195	6.6%
UA vs. Mean	(3,658)	(1,978)	4.7%
UA Rank (of 16)	12	10	3



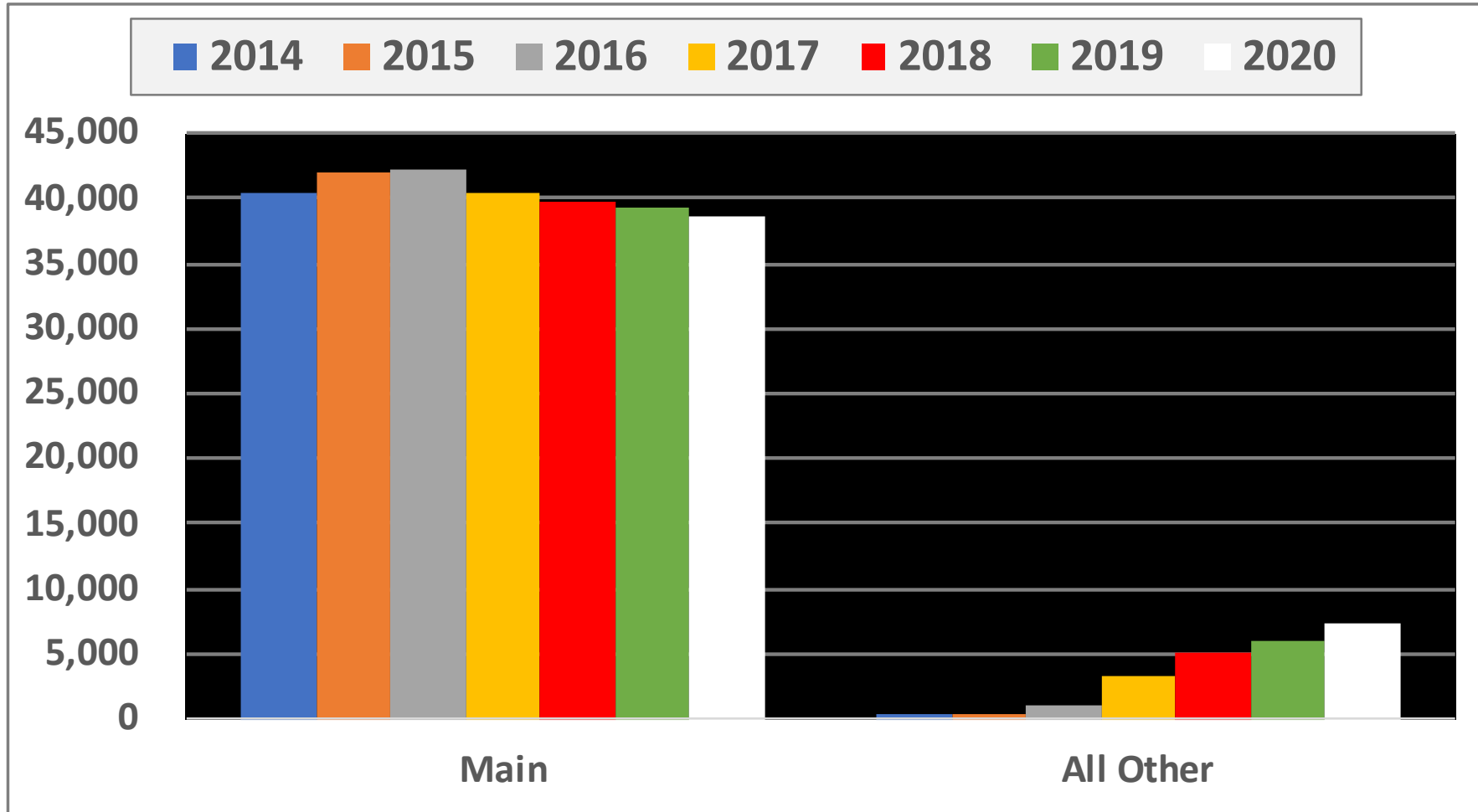
Enrollment by Campus

Source: <https://uair.arizona.edu/content/enrollment>

Headcount	2014	2015	2016	2017	2018	2019	2020	# Change 2014 to 2020
Main	40,360	41,919	42,179	40,431	39,752	39,268	38,623	(1,737)
Online	0	0	362	2,078	2,862	3,603	4,477	4,477
Distance	0	0	0	155	698	866	1,187	1,187
Phoenix	253	311	328	497	578	650	701	448
Community	0	0	0	0	476	401	519	519
South	8	6	219	464	465	429	411	403
Total	40,621	42,236	43,088	43,625	44,831	45,217	45,918	5,297
Percent of total	2014	2015	2016	2017	2018	2019	2020	
Main	99%	99%	98%	93%	89%	87%	84%	
Online	0%	0%	1%	5%	6%	8%	10%	
Distance	0%	0%	0%	0%	2%	2%	3%	
Phoenix	1%	1%	1%	1%	1%	1%	2%	
Community	0%	0%	0%	0%	1%	1%	1%	
South	0%	0%	1%	1%	1%	1%	1%	
Total	100%	100%	100%	100%	100%	100%	100%	

Enrollment by Campus Graphically

Source: <https://uair.arizona.edu/content/enrollment>



International Enrollment

Source: <https://uair.arizona.edu/content/enrollment>

International	2014	2015	2016	2017	2018	2019	2020
Undergrad	1,807	2,062	2,234	2,358	2,327	2,267	2,209
Grad	1,557	1,634	1,590	1,590	1,615	1,834	1,571
Total International	3,364	3,696	3,824	3,948	3,942	4,101	3,780
% of total	2014	2015	2016	2017	2018	2019	2020
Undergrad	5.7%	6.3%	6.6%	6.9%	6.6%	6.4%	6.2%
Grad	17.4%	17.7%	17.0%	16.6%	16.6%	18.4%	15.5%
Total International	8.3%	8.8%	8.9%	9.0%	8.8%	9.1%	8.2%

- The level and percent of international students declined from a peak in 2017 to 2020
- 98% of international students are on the main campus
- In fall 2019, of 4,477 online students, only 19 are classified as international

Enrollment by Residency

Source: <https://uair.arizona.edu/content/enrollment>

Residency	2014	2015	2016	2017	2018	2019	2020
Resident	26,562	26,848	26,833	26,952	27,305	27,245	26,921
Non-Resident	14,059	15,388	16,255	16,673	17,526	17,972	18,997
Total	40,621	42,236	43,088	43,625	44,831	45,217	45,918
% of total enrollment from Arizona	65.4%	63.6%	62.3%	61.8%	60.9%	60.3%	58.6%
% UG from AZ	68.1%	66.0%	64.3%	63.8%	63.1%	62.8%	61.5%
% Grad from AZ	55.9%	54.9%	55.1%	54.5%	52.9%	51.1%	48.4%

- 76% of first-year undergraduates live on campus
- 24% of all undergraduates live on campus

Tuition and Fee Price; Room and Board

Sources: <https://bursar.arizona.edu/tuition/fees>; IPEDS; Common Data Set

In-State UG First Year	2014	2015	2016	2017	2018	2019	2020	2021
Tuition	\$9,388	\$9,952	\$10,390	\$10,752	\$10,860	\$11,077	\$11,294	\$11,299
Fees	\$1,003	\$1,026	\$1,034	\$1,037	\$1,388	\$1,390	\$1,397	\$1,397
Tuition and Fees	\$10,391	\$10,978	\$11,424	\$11,789	\$12,248	\$12,467	\$12,691	\$12,696
Room and Board	\$9,714	\$9,700	\$9,840	\$11,300	\$11,300	\$12,550	\$12,550	\$13,050
Total Sticker Price	\$20,105	\$20,678	\$21,264	\$23,089	\$23,548	\$25,017	\$25,241	\$25,746
Out of State UG 1st year	2014	2015	2016	2017	2018	2019	2020	2021
Tuition	\$26,070	\$28,416	\$31,617	\$33,950	\$34,290	\$34,290	\$34,976	\$35,326
Fees	\$1,003	\$1,026	\$1,034	\$1,037	\$1,388	\$1,388	\$1,390	\$1,407
Tuition and Fees	\$36,366	\$36,366	\$36,366	\$36,366	\$36,366	\$36,366	\$36,366	\$36,733
Room and Board	\$9,714	\$9,700	\$9,840	\$11,300	\$11,300	\$12,300	\$12,550	\$13,050
Total Sticker Price	\$46,080	\$46,066	\$46,206	\$47,666	\$47,666	\$48,666	\$48,916	\$49,783
Ratio of out of state tuition to in-state tuition	2.78	2.86	3.04	3.16	3.16	3.10	3.10	3.13

- There are additional fees depending on the program
- Graduate tuition is different than reported above

Annual Percentage Changes in Tuition, Fees, Room & Board

Sources: <https://bursar.arizona.edu/tuition/fees>; IPEDS; Common Data Set

In-State UG First Year	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
Tuition	6.0%	4.4%	3.5%	1.0%	2.0%	2.0%	0.0%
Fees	2.3%	0.8%	0.3%	33.8%	0.2%	0.5%	0.0%
Tuition and Fees	5.6%	4.1%	3.2%	3.9%	1.8%	1.8%	0.0%
Room and Board	-0.1%	1.4%	14.8%	0.0%	11.1%	0.0%	4.0%
Total Sticker Price	2.8%	2.8%	8.6%	2.0%	6.2%	0.9%	2.0%
Out of State UG 1st year	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021
Tuition	9.0%	11.3%	7.4%	1.0%	0.0%	2.0%	1.0%
Fees	2.3%	0.8%	0.3%	33.8%	0.0%	0.1%	1.2%
Tuition and Fees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.0%
Room and Board	-0.1%	1.4%	14.8%	0.0%	8.8%	2.0%	4.0%
Total Sticker Price	0.0%	0.3%	3.2%	0.0%	2.1%	0.5%	1.8%

Breakdown of Student Fees

Fees for Fall Term	2017	2018	2019	2020	2021
AZ financial aid trust	\$53.50	\$54.00	\$55.00	\$56.00	\$56.00
Athletics	\$0.00	\$50.00	\$50.00	\$50.00	\$50.00
Health & Recreation	\$150.00	\$212.50	\$212.50	\$212.50	\$212.50
Info Technology	\$240.00	\$267.50	\$267.50	\$267.50	\$267.50
Student Media	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Rec Center Bond	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
Rec Center Program	\$4.31	\$4.31	\$4.31	\$4.31	\$4.31
Student Service	\$40.00	\$75.00	\$75.00	\$75.00	\$75.00
Wildcat	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
Total Fees per term	\$520.81	\$696.31	\$697.31	\$698.31	\$698.31
Full Year	\$1,041.62	\$1,392.62	\$1,394.62	\$1,396.62	\$1,396.62
Freshman fee	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00

- The fees for 2017 to 2019 are a few dollars (less than \$5) different than the totals reported on the bursar's site
- The athletic fee is surprising for a power conference institution

Discount Rate

Source: Audited financial statements (Amounts in thousands)

	2014	2015	2016	2017	2018	2019
Tuition and Fees, Gross	670,322	749,424	805,144	854,293	867,562	890,558
Scholarship Allowances	185,513	194,656	196,465	200,568	214,043	232,468
Tuition and Fees, Net	484,809	554,768	608,679	653,725	653,519	658,090
Discount Rate	27.7%	26.0%	24.4%	23.5%	24.7%	26.1%

Tuition and Fees, Gross – Allowances = Tuition and Fees Net

Discount rate:

Numerator = Allowances

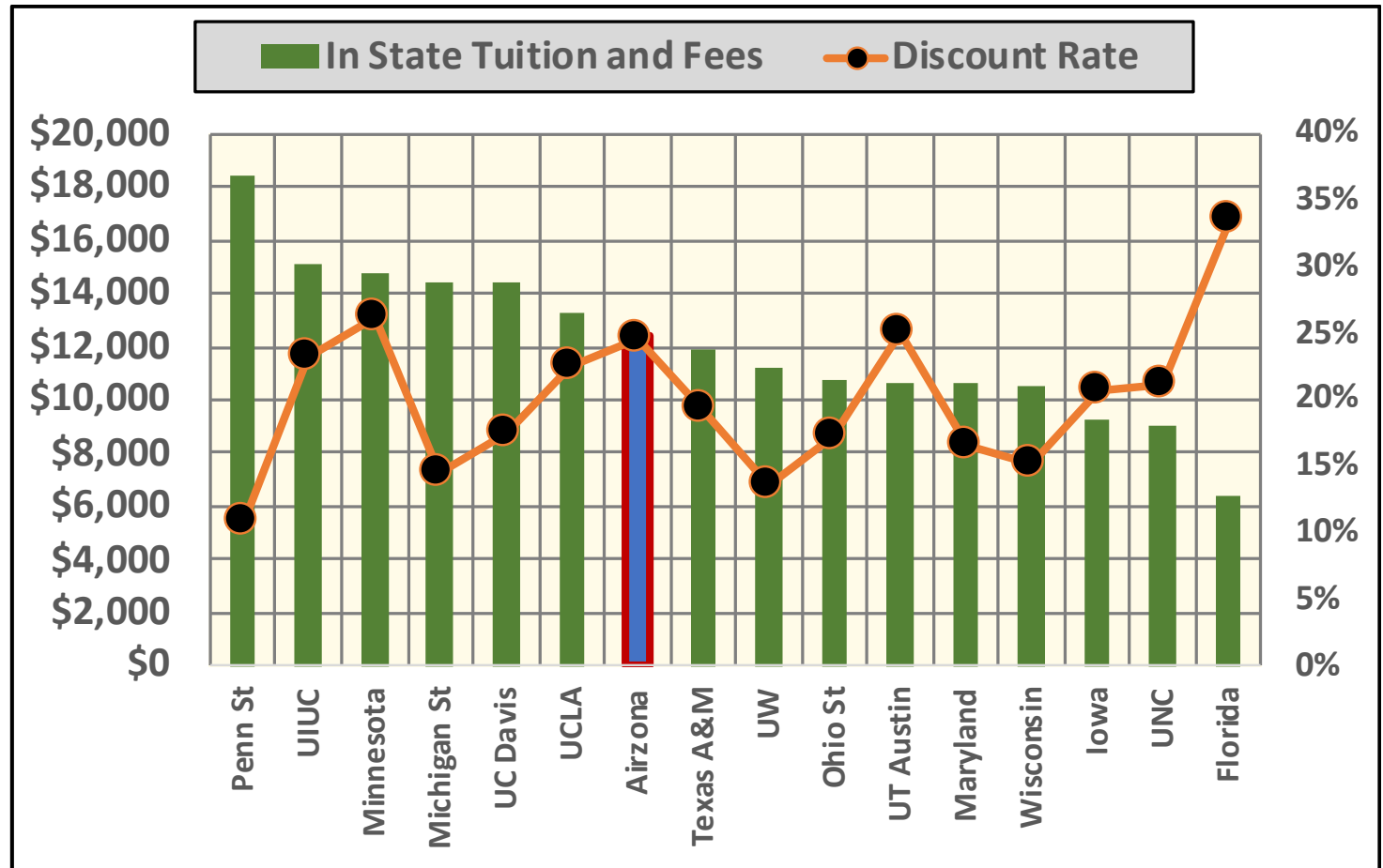
Denominator = Tuition and Fees, Gross

The administration will likely claim the rate is much higher, as they tend to report the rate only for first-year students

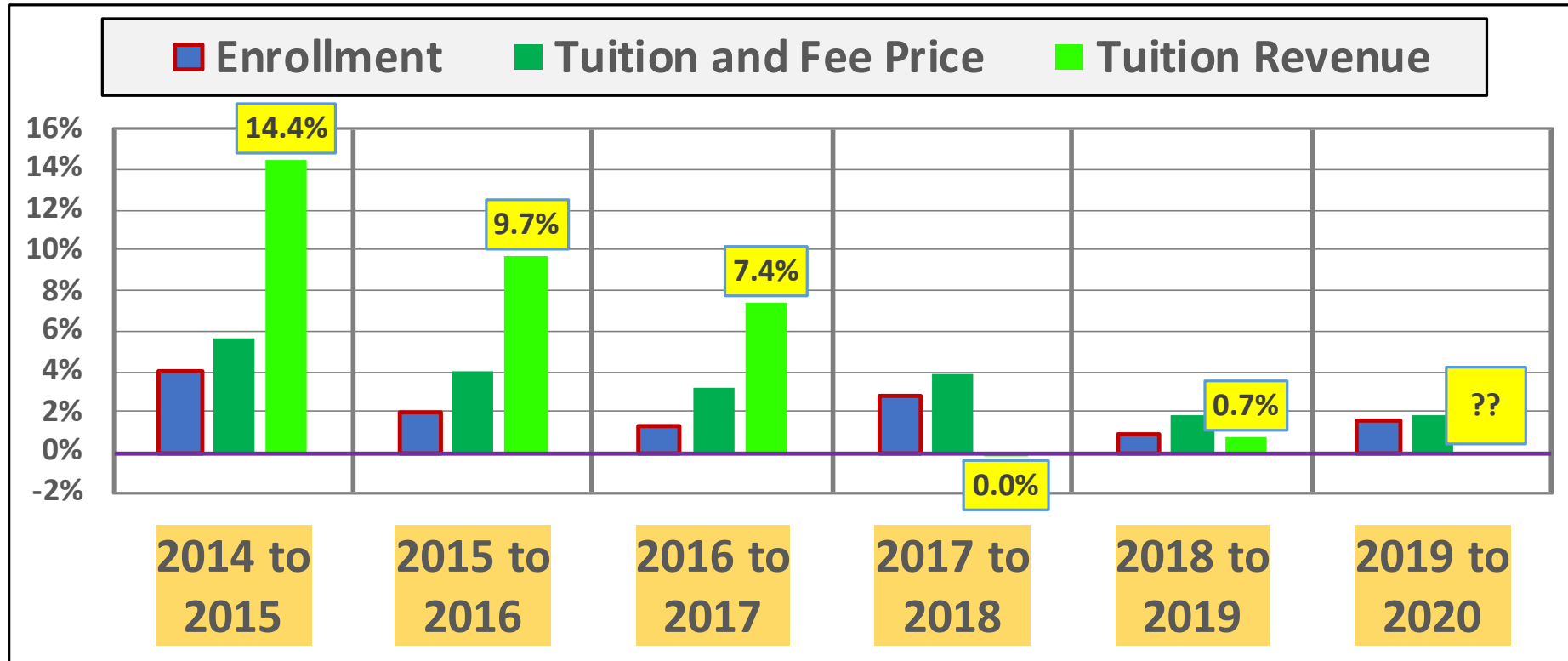
Tuition and Fee Price and Discount Rate of Peer Institutions

Source: IPEDS; 2018 rate; 2019 tuition and fees

Institution	In State Tuition and Fees	Discount Rate
Penn St	\$18,454	10.9%
UIUC	\$15,094	23.1%
Minnesota	\$14,760	26.3%
Michigan St	\$14,460	14.6%
UC Davis	\$14,402	17.4%
UCLA	\$13,226	22.6%
Airzona	\$12,467	24.7%
Texas A&M	\$11,870	19.3%
UW	\$11,207	13.5%
Ohio St	\$10,726	17.3%
UT Austin	\$10,610	25.0%
Maryland	\$10,595	16.5%
Wisconsin	\$10,555	15.3%
Iowa	\$9,267	20.8%
UNC	\$8,987	21.3%
Florida	\$6,381	33.5%
Peer Mean	\$12,040	19.8%
UA Rank (of 16)	7	4



UA Annual Percentage Changes in Tuition and Fee Price, Enrollment, and Tuition and Fee Revenue (accrual-based per audit)



	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020
Enrollment	4.0%	2.0%	1.2%	2.8%	0.9%	1.6%
Tuition and Fee Price	5.6%	4.1%	3.2%	3.9%	1.8%	1.8%
Tuition Revenue	14.4%	9.7%	7.4%	0.0%	0.7%	??

Examination of the State Appropriation:

- **State Operating Appropriation**
- **State Share of Sales Tax Revenue**
- **State Capital Appropriation**
- **Estimated Revenue Losses for the State**

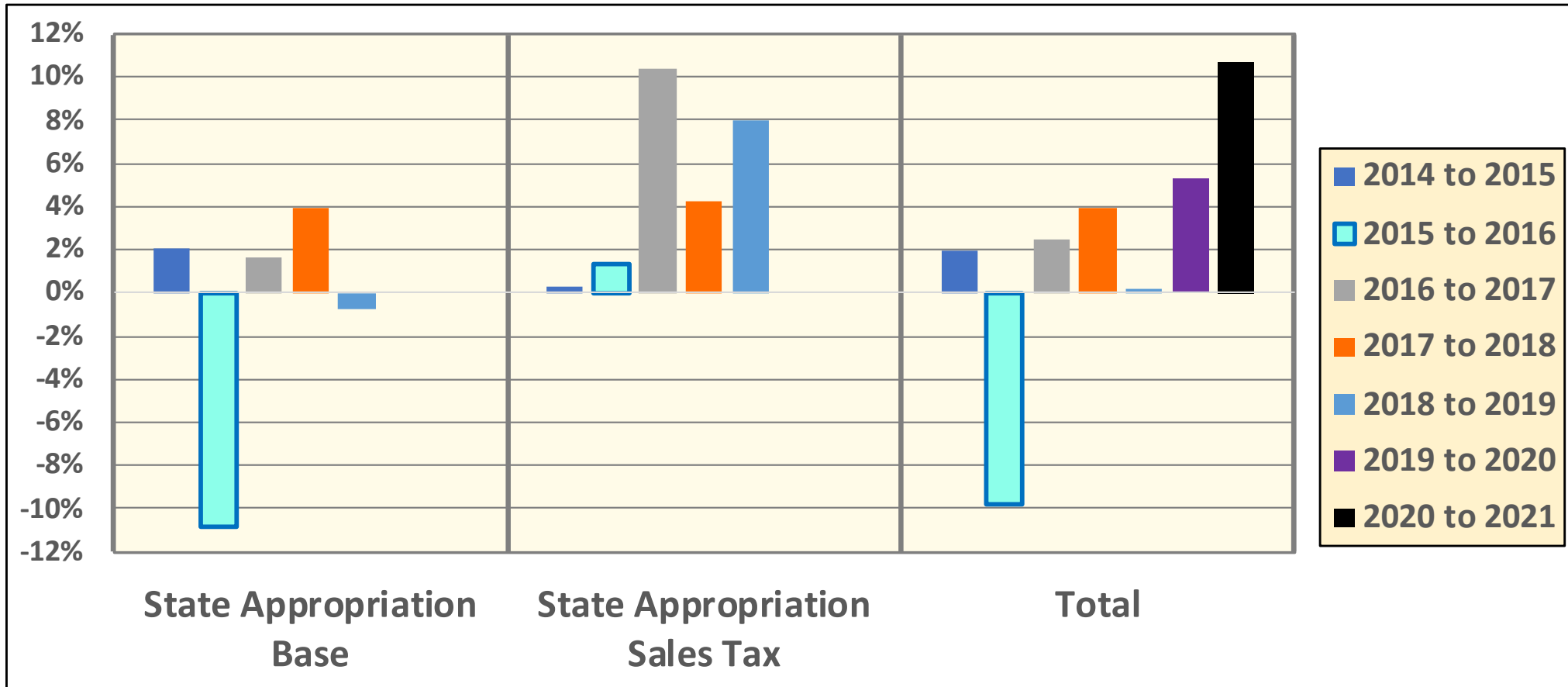
State Appropriations

Sources: Audited financial statements (Amounts in thousands)

For 2021: https://www.azregents.edu/sites/default/files/news-releases/New_Economy_Initiative_ABOR_FY_2021_Budget_Request.pdf

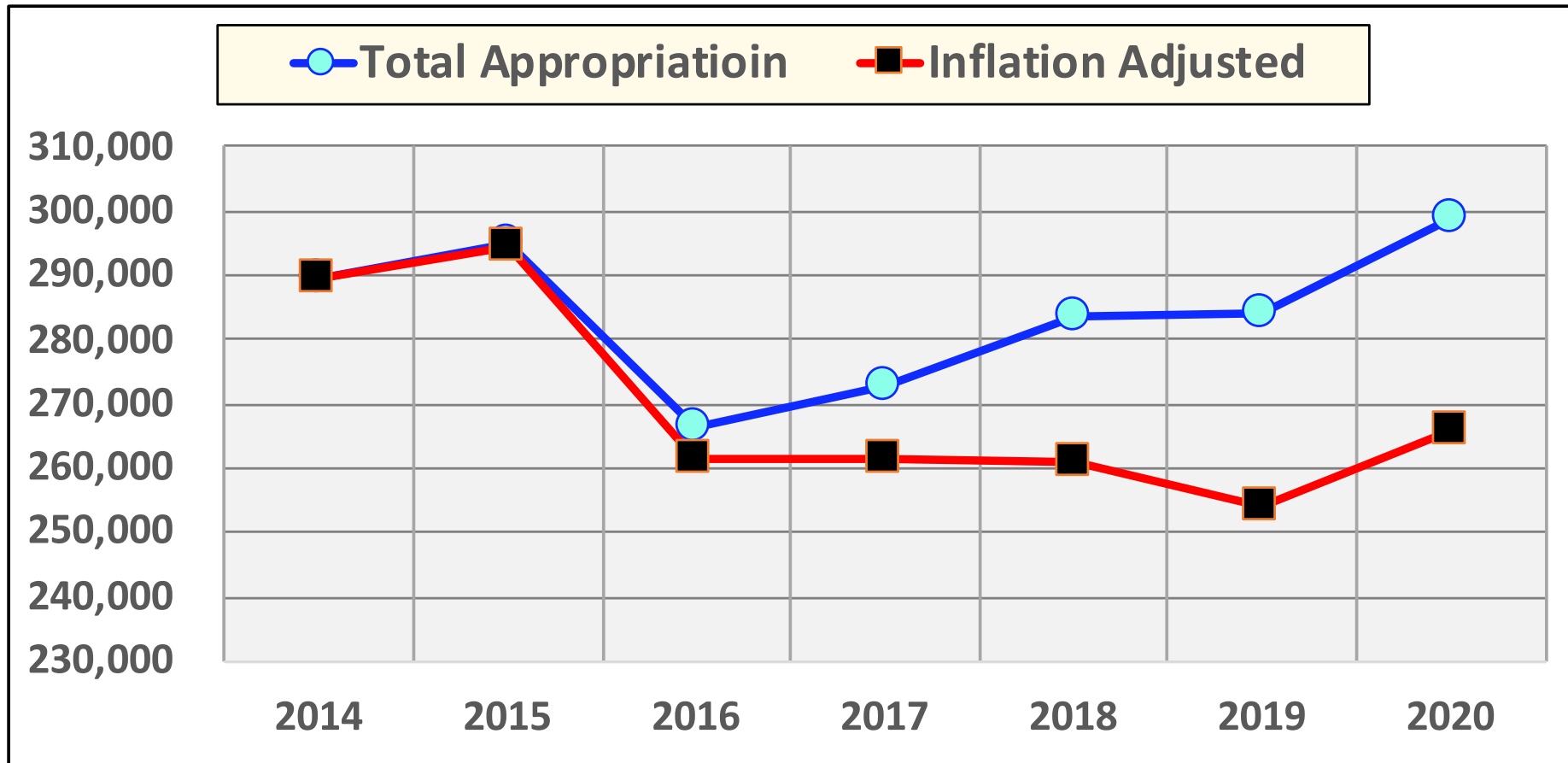
	2014	2015	2016	2017	2018	2019	2020	2021 request
State Appropriation Base	265,038	270,538	241,257	245,146	254,789	252,931		
State Appropriation Sales Tax	24,514	24,589	24,910	27,503	28,679	30,968		
Total State Operating Appropriation	289,552	295,127	266,167	272,649	283,468	283,899	298,899	330,901
Dollar Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	
State Appropriation Base	5,500	(29,281)	3,889	9,643	(1,858)			
State Appropriation Sales Tax	75	321	2,593	1,176	2,289			
Total	5,575	(28,960)	6,482	10,819	431	15,000	32,002	
Percentage Changes	2014 to 2015	2015 to 2016	2016 to 2017	2017 to 2018	2018 to 2019	2019 to 2020	2020 to 2021	
State Appropriation Base	2.1%	-10.8%	1.6%	3.9%	-0.7%			
State Appropriation Sales Tax	0.3%	1.3%	10.4%	4.3%	8.0%			
Total	1.9%	-9.8%	2.4%	4.0%	0.2%	5.3%	10.7%	

Annual Percentage Changes in the State Appropriation



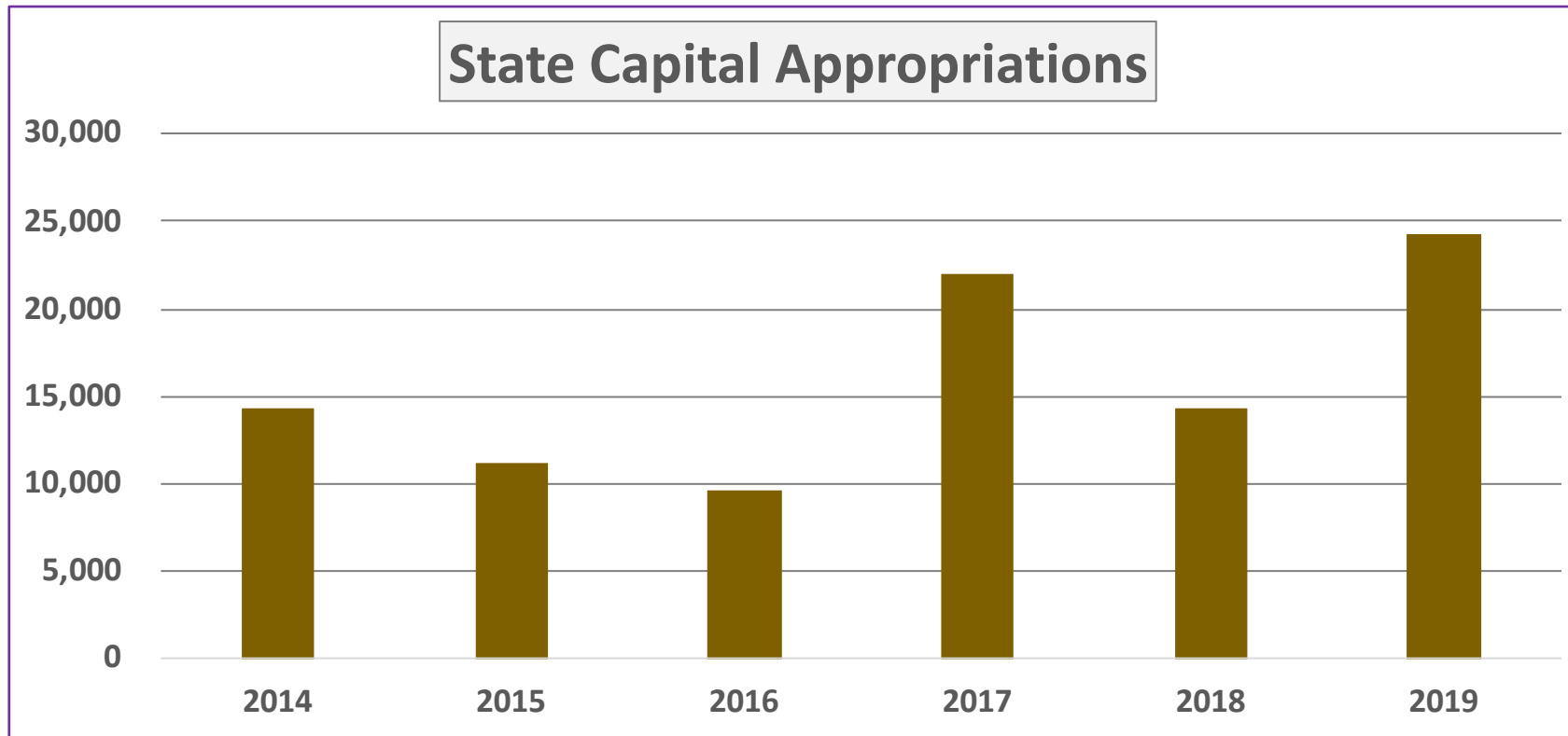
Total State Appropriation vs. Inflation

Inflation per Bureau of Labor Statistics, Phoenix-Mesa-Scottsdale (amounts in thousands)



State Capital Appropriation: Separate from the Operating Appropriation Very Lumpy; It is ZERO in many states

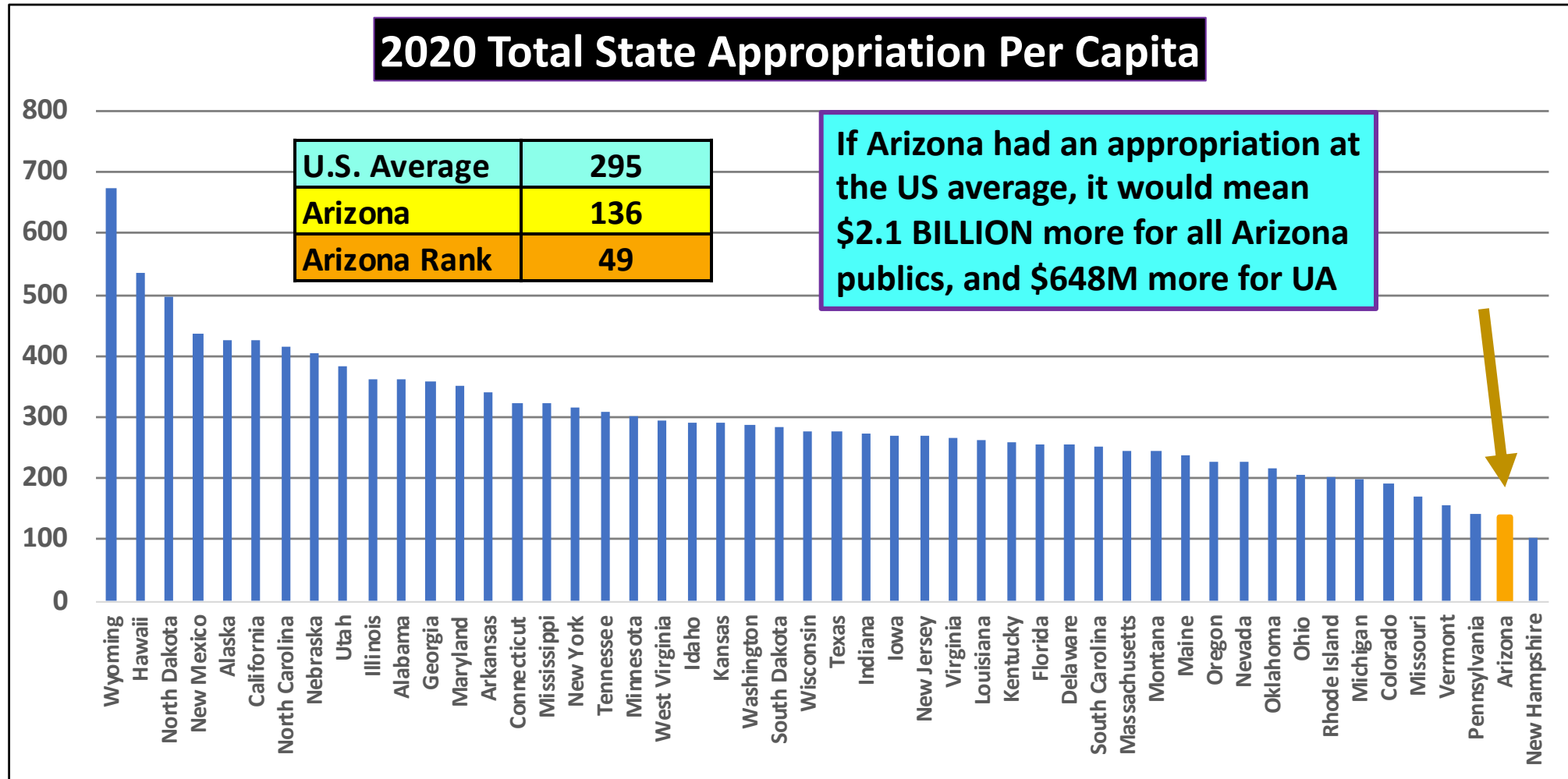
Source: Audited financial statements (amounts in thousands)



	2014	2015	2016	2017	2018	2019
State Capital Appropriations	14,253	11,204	9,594	21,978	14,249	24,300

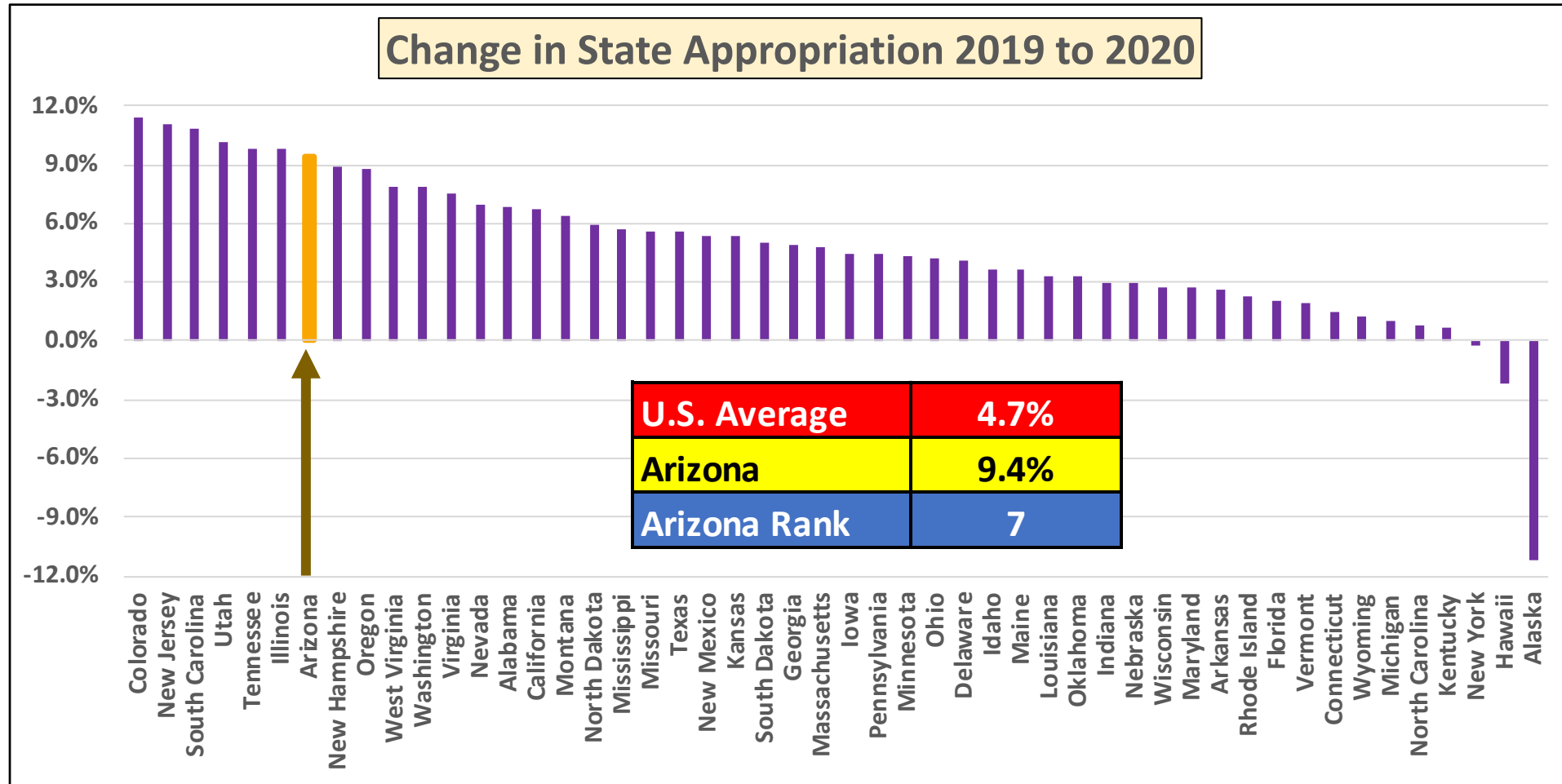
2020 State Appropriation per Capita

Source: Grapevine <https://education.illinoisstate.edu/grapevine/tables/>



Change in State Appropriation, 2019 to 2020

Source: Grapevine <https://education.illinoisstate.edu/grapevine/tables/>



General Fund in Arizona: Tax Revenues of the State

Source: Joint Legislative Budget Committee (JLBC) of Arizona; June 10, 2020 Report

In April, we projected that the COVID-19 recession would result in a **\$(1.1) billion shortfall** by the end of FY 2021. Of that amount, \$(638) million would be incurred in FY 2020 while FY 2021 would add another \$(462) million to the shortfall.

Fiscal 2020:

Since April, **General Fund revenues have not fallen as much as expected**. As a result, the new June budget forecast reduces the projected FY 2020 shortfall to **\$(190) million**.

With total forecasted FY 2020 General Fund revenues of \$11.68 billion and spending of \$11.87 billion, we project a FY 2020 shortfall of \$(190) million. Due to final accounting adjustments, the precise balance estimate will not be known with certainty until August or September.

Fiscal 2021:

Based on the June update, projected FY 2021 General Fund revenues are \$11.05 billion compared to spending of \$11.57 billion, thereby resulting in a shortfall of **\$(518) million**

The June report does not mention any cuts to the 2020 higher education appropriation as a potential option for the Governor to balance the above shortfalls

Effects of the Coronavirus on the State of Arizona Tax Revenues for 2020 and 2021

Source: Joint Legislative Budget Committee (JLBC) of Arizona; June 10, 2020 Report (amounts in thousands)

	2019 Actual	2020 Forecast	2021 Forecast	2019 to 2020	2020 to 2021
Sales Taxes	5,096,879.9	5,279,871.6	5,276,240.9	3.6%	-0.1%
Income Taxes	5,009,020.6	4,418,772.3	5,069,595.4	-11.8%	14.7%
Business Taxes	514,264.1	503,866.2	444,610.0	-2.0%	-11.8%
Property Taxes	29,683.3	24,855.1	25,001.8	-16.3%	0.6%
Tobacco Taxes	21,040.8	21,764.0	21,796.8	3.4%	0.2%
Liquor Taxes	37,259.4	36,909.4	36,538.0	-0.9%	-1.0%
Insurance	549,760.6	536,453.6	524,627.6	-2.4%	-2.2%
Other Taxes	13,539.4	13,568.2	15,129.9	0.2%	11.5%
Total Taxes	11,271,448.1	10,836,060.4	11,413,540.4	-3.9%	5.3%
% of Total	2019 Actual	2020 Forecast	2021 Forecast		
Sales Taxes	45.2%	48.7%	46.2%		
Income Taxes	44.4%	40.8%	44.4%		
Business Taxes	4.6%	4.6%	3.9%		
Property Taxes	0.3%	0.2%	0.2%		
Tobacco Taxes	0.2%	0.2%	0.2%		
Liquor Taxes	0.3%	0.3%	0.3%		
Insurance	4.9%	5.0%	4.6%		
Other Taxes	0.1%	0.1%	0.1%		
Total Taxes	100.0%	100.0%	100.0%		

Total taxes are forecast to increase from 2020 to 2021; this is an average of 34 economists' forecasts

Income taxes are more volatile than sales taxes (people need stuff)

Sales and income taxes are the dominant taxes

I will forecast declines in the 2021 state appropriation of

- 5% worst
- 3% most likely
- 0% best

Versus the 2020 appropriation, not the 2021 request (which was never adopted)

**Estimated Losses from the Coronavirus
Pandemic Under 3 Scenarios:**

2020

2021

Estimated 2020 Tuition Revenue Loss

	Best Case	Most Likey	Worst Case	Admin Projection 5/3/2020
Tuition Revenue Loss, March 2020 to June 30, 2019:				
Estimated Losses as % of total tuition revenue	-1.50%	-1.70%	-1.90%	-1.90%
Tuition Revenue base	658,090,000	658,090,000	658,090,000	658,090,000
Estimated 2020 tuition Loss	(9,871,350)	(11,187,530)	(12,500,000)	(12,500,000)
Mitigation:				
Increase in tuition revenue, 7/1/2019 to March 2020	1.5%	1.0%	0.5%	0.0%
Increase in Tuition Revenue	9,871,350	6,580,900	3,290,450	0
Net Change to Tuition Revenue, 2020	0	(4,606,630)	(9,209,550)	(12,500,000)

Tuition Revenue 2019	658,090
Enrollment Increase, Fall 2018 Fall 2019 (fiscal 2020)	1.9%
Tuition and Fee price increase, 2019 to 2020	1.8%

Notes:

- Classes stopped in person Mid-March, and the last class of spring was 5/6
- Pre-session summer 5/18 to 6/6
- Summer I 6/8 to 7/9 (crosses into fiscal 2021)
- Summer II 7/13 to 8/12 (all in fiscal 2021)
- There will be an increase in tuition revenue due to increases in enrollment and price before March of 2020.
- The admin ignored the increase and will claim that the increase was “built-in” to their budget. This is not a budget; this is projecting gains and losses versus prior period

Moody's Report on Higher Education Tuition Revenue

June 4, 2020

- Higher education enrollments could increase between 2 and 4 percent in fall 2020, according to a new report by Moody's Investors Service. The new forecast follows past enrollment trends during economic downturns and recessions.
- "The countercyclical nature of enrollment for both traditional-aged and older students typically yields gains when unemployment grows and students seek to broaden their skill set," a press release said.
- But even if enrollment increases, **net tuition revenue and other student revenue for the 2021 fiscal year will likely decline between 5 and 13 percent**, depending on student demand, affordability and the severity of the economic downturn, the report says.
- "Factors such as a potential new wave of the coronavirus and students deferring a year to get the full on-campus experience stand to curb the potential enrollment increases this fall," Dennis Gephardt, vice president at Moody's and lead author of the report, said in a statement.

Fitch Report on Tuition

June 9, 2020

- **Private Colleges Expected to Feel Enrollment Revenue Pinch More Than Publics**
- Fitch expects annual enrollment declines ranging from 5 percent to 20 percent for many colleges and universities this fall. Private colleges in competitive regions and those that are already experiencing weak demand are likely to be more affected than institutions that draw students from a wider geographic range and collect revenue from more types of sources.
- The ratings agency evaluated likely effects on revenue of enrollment declines of 5 percent, 10 percent and 20 percent. Most colleges and universities Fitch rates can absorb a 5 percent enrollment decline, it found.
- **An enrollment drop of 10 percent would mean a median estimated revenue decline of 4 percent, while a decline of 20 percent would mean a median revenue decline of 9 percent.**

Basis for the Estimated Tuition Revenue Declines in 2021

Enrollment Estimates (includes privates)	Low Estimate	High Estimate	
Moody's	2%	4%	
Fitch	-20%	-5%	
Average	-9%	-1%	
Tuition Revenue Estimates	Low Estimate	High Estimate	
Moody's	-13%	-5%	
Fitch	-9%	-4%	
Average	-11%	-5%	
My Estimates	Worst Case	Most Likely	Best Case
Enrollment Change	-9%	-5%	-1%
Tuition Revenue Change	-13%	-9%	-5%

Estimated 2021 Losses from Tuition and Fee Revenue

CARES Act Funding per <https://www.insidehighered.com/news/2020/04/10/listing-funds-each-college-can-expect-receive-under-federal-stimulus>

	Best Case	Most Likey	Worst Case	Admin Projection 5/3/2020
Estimated % Loss in Tuition and Fee Revenue	-5%	-9%	-13%	-14.2%
Estimated 2020 Tuition and Fee Revenue	650,000,000	650,000,000	650,000,000	650,000,000
Estimated 2021 Tuition and Fee Revenue Loss	(32,500,000)	(58,500,000)	(84,500,000)	(92,000,000)
CARES Act Mitigation:				
CARES Act grant	30,953,447	30,953,447	30,953,447	0
Only 1/2 can be used in general	15,476,724	15,476,724	15,476,724	0
Net Tuition and Fee Loss 2021	(17,023,277)	(43,023,277)	(69,023,277)	(92,000,000)

- The estimated percentage losses come from Moody's and Fitch's estimates
- The admin's estimated losses do not have a clear rationale
- The admin ignored the CARES Act, which is real money
- Arizona surveyed about half its 4,000 international students and determined that 89 percent of those who responded remain in the U.S., Inside Higher Education, May 26, 2020.
- Therefore, the admin's estimated losses of international revenue of \$33M is likely overstated

Analysis of Auxiliaries

Auxiliaries in the 2019 Budget	
Bookstore	27,740,900
Campus Recreation	2,114,900
Facilities Management	54,722,300
Intercollegiate Athletics	81,063,700
Parking	18,656,900
Residence Life	53,148,600
Student Health	8,643,900
Student Union	35,064,500
Other Auxiliaries	21,754,300
Total Auxiliary Revenue	302,910,000
Per Audited Financial Statements	
Auxiliary Revenue gross	213,167,000
Scholarship Allowances	7,710,000
Auxiliary Revenue per Audit	205,457,000
Auxiliary Expenses per Audit	167,387,000
Auxiliary Profit per Audit	38,070,000

- Why is the budget at \$300M and the audit at \$205M? The budget includes non-cash, not real items such as internal charges and transfers
- The administration seems to be ignoring any expense reduction when reporting their estimated losses; some costs are fixed, but some costs are eliminated when housing and dining are not fully utilized
- In 2019, auxiliary revenue was 31% of tuition revenue per the audited financial statements; losses will be larger than this, as the housing losses are very likely to be greater than the losses from tuition revenue
- The athletic loss is very hard to predict; UA was going to the NCAA basketball tournament, but the amount of revenue loss there is not high (last made the final four in 2001)

Estimated 2020 Auxiliary and Other Losses

	Best Case	Most Likey	Worst Case	Admin Projection 5/3/2020
Auxiliary	(20,000,000)	(25,000,000)	(30,000,000)	(35,400,000)
Indirect Cost Recovery	0	0	0	0
Sale of dept. services	0	(3,000,000)	(7,000,000)	(11,200,000)
Additional costs for COVID	(7,100,000)	(7,100,000)	(7,100,000)	(7,100,000)
Subtotal of Losses	(27,100,000)	(35,100,000)	(44,100,000)	(53,700,000)
Mitigation:				
Auxiliary	6,000,000	7,500,000	9,000,000	0
Additional coverage for COVID;medical facilities have received funding	2,130,000	2,840,000	3,550,000	0
Total Mitigation	8,130,000	10,340,000	12,550,000	0
Net 2020 Auxiliary and Other Losses	(18,970,000)	(24,760,000)	(31,550,000)	(53,700,000)

Estimated 2021 Auxiliary and Other Losses

	Best Case	Most Likely	Worst Case	Admin Projection 5/3/2020
Auxiliary	(10,000,000)	(15,000,000)	(20,000,000)	(22,800,000)
Indirect Cost Recovery	(5,000,000)	(10,000,000)	(15,000,000)	(16,000,000)
Sale of dept. services	(2,100,000)	(2,500,000)	(2,900,000)	(2,900,000)
Additional costs for COVID	0	0	0	0
Subtotal of Losses	(17,100,000)	(27,500,000)	(37,900,000)	(41,700,000)
Mitigation:				
Auxiliary	3,000,000	4,500,000	6,000,000	0
Additional coverage for COVID; medical facilities have received funding	0	0	0	0
Total Mitigation	3,000,000	4,500,000	6,000,000	0
Net 2021 Auxiliary and Other Losses	(14,100,000)	(23,000,000)	(31,900,000)	(41,700,000)

Indirect cost recovery is not a revenue per the audit; there could be a loss of grant revenue, which this is what the admin alludes to; however, the losses will be less than the admin claims, as there will be mitigation (lower expenses) if there are fewer grants

In 2021, there will likely be additional support, per Senator Lamar Alexander, June 24, 2020, at

<https://www.insidehighered.com/quicktakes/2020/06/24/alexander-considering-additional-funds-help-colleges-reopen>

Estimated Investment and Philanthropy Losses

	Best Case	Most Likey	Worst Case	Admin Projection 5/3/2020
Philanthropy and Investment income 2020	0	0	(5,000,000)	(38,000,000)
Philanthropy and Investment income 2021	0	0	(2,000,000)	(16,800,000)

S&P 500 June 30, 2019	2,941.76
S&P 500 June 24, 2020	3,050.33
Fiscal 2020 Market Return	3.7%

- The stock market has gone UP in fiscal 2020, which is a few days from being over
- Most of the UA investments are in lower risk type of investments, so they should mirror the market
- Claiming the amount of losses from fundraising and investment income of \$55 million over two years is way over the top and is not going to happen

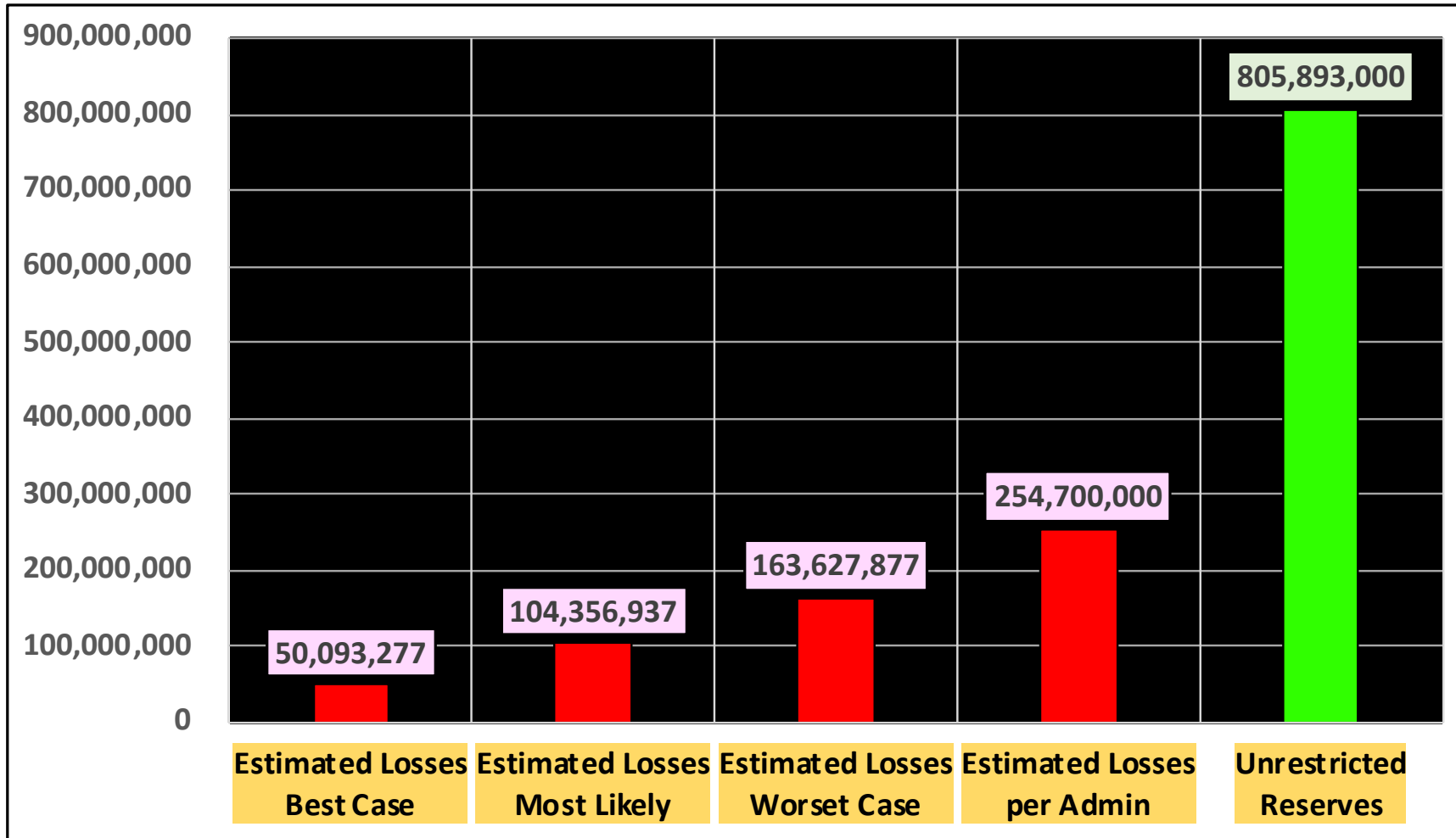
Estimated Losses from State Appropriation

	Best Case	Most Likey	Worst Case	Admin Projection 5/3/2020
State Appropriation 2020	298,901,000	298,901,000	298,901,000	298,901,000
Estimated Percentage Loss	0.0%	-3.0%	-5.0%	0.0%
Estimated Loss from State Appropriation in 2021	0	(8,967,030)	(14,945,050)	0

3 Scenarios for Total 2020 and 2021 Potential Losses Admin at 254M for combined losses

	Best Case	Most Likey	Worst Case	Admin Projection 5/3/2020
Net Change to Tuition Revenue, 2020	0	(4,606,630)	(9,209,550)	(12,500,000)
Net 2020 Auxiliary and Other Losses	(18,970,000)	(24,760,000)	(31,550,000)	(53,700,000)
Philanthropy / Investment income 2021	0	0	(5,000,000)	(38,000,000)
Total Estimated 2020 Losses	(18,970,000)	(29,366,630)	(45,759,550)	(104,200,000)
Net Tuition and Fee Loss 2021	(17,023,277)	(43,023,277)	(69,023,277)	(92,000,000)
Net 2021 Auxiliary and Other Losses	(14,100,000)	(23,000,000)	(31,900,000)	(41,700,000)
Philanthropy / Investment income 2021	0	0	(2,000,000)	(16,800,000)
Estimated Loss from State Appropriation in 2021	0	(8,967,030)	(14,945,050)	0
Total Estimated 2020 Losses	(31,123,277)	(74,990,307)	(117,868,327)	(150,500,000)
Total Combined 2020 and 2021 Losses	(50,093,277)	(104,356,937)	(163,627,877)	(254,700,000)

Potential Losses in Context: Estimated Combined 2020 and 2021 Losses vs. Unrestricted Reserves



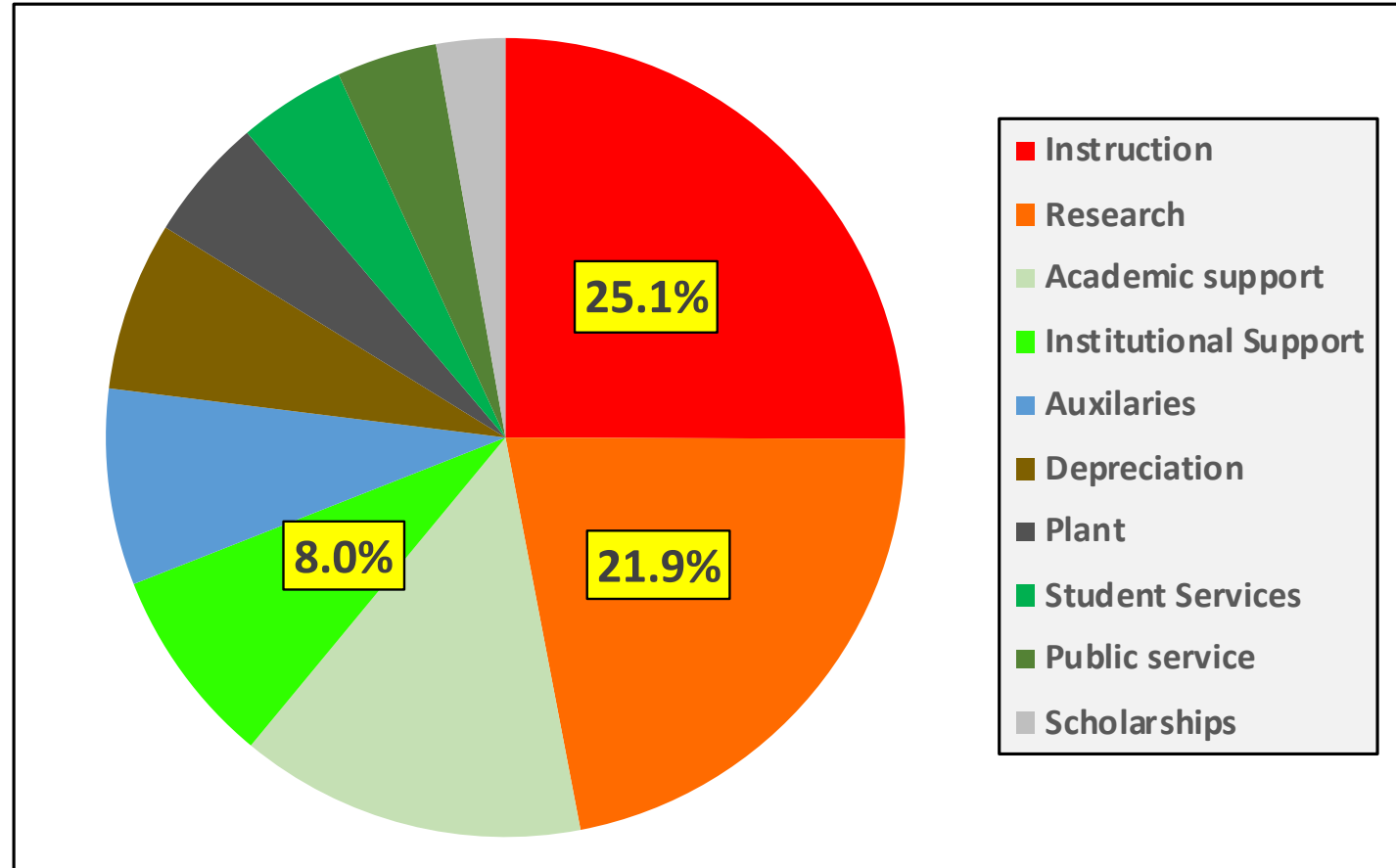
Examination of the Expenses and Priorities of the UA Administration:

- Instruction and Research**
- Upper-Level Administrative Costs**

2019 Expense Distribution

Source: Audited financial statements

2019 in thousands	\$\$	% of Total
Instruction	527,927	25.1%
Research	462,112	21.9%
Academic support	295,024	14.0%
Institutional Support	169,176	8.0%
Auxilaries	167,387	7.9%
Depreciation	144,250	6.8%
Plant	105,311	5.0%
Student Services	91,224	4.3%
Public service	85,822	4.1%
Scholarships	58,673	2.8%
Total Operating Expenses	2,106,906	100.0%



- Institutional support is upper-level admin;
- Public service, academic support, and student services have elements of both administration and non-administration (non-union) items
- Auxilaries includes housing, dining, student union, parking, bookstore, and athletics

Another Breakdown of Expenses

Source: Audited financial statements (amounts in thousands)

	\$\$	% of Total
Personal Services and benefits	1,340,973	63.6%
Supplies and services	560,018	26.6%
Scholarships and fellowships	61,665	2.9%
Depreciation	144,250	6.8%
Total operating expenses	2,106,906	100.0%

How Expenses are Reported by/to IPEDS

Instruction IPEDS	2014	2015	2016	2017	2018	2019
Instruction - Salaries	267,655,000	274,444,000	288,736,000	298,289,000	312,384,000	329,711,000
Instruction - fringes	93,442,000	97,176,000	Not reported	Not reported	Not reported	Not reported
Instruction - plant	15,568,000	14,871,000	Not reported	Not reported	Not reported	Not reported
Instruction - Depreciation	20,355,000	20,590,000	Not reported	Not reported	Not reported	Not reported
Instruction - Interest	8,760,000	8,829,000	Not reported	Not reported	Not reported	Not reported
Instruction - Other	64,625,000	45,680,000	214,583,000	208,074,000	256,239,000	262,624,000
Instructon total per IPEDS	470,405,000	461,590,000	503,319,000	506,363,000	568,623,000	592,335,000
Instruction total per Audit	425,722,000	417,300,000	460,005,000	459,357,000	505,879,000	527,927,000
Salaries + Fringes + Other	425,722,000	417,300,000				

- The total per IPEDS and the total per Audit do not match for 2016 to 2019
- Because of the change in reporting structure , as well as the inconsistencies, we will focus on the salary-only component of expenses

Salary-Only Component of Expenses per IPEDS, 2016 to 2019

					2016 to 2019	
	2016	2017	2018	2019	\$ Change	% Change
Instruction	288,736,000	298,289,000	312,384,000	329,711,000	40,975,000	14.2%
Research	197,886,000	206,247,000	231,245,000	247,169,000	49,283,000	24.9%
Public service	39,617,000	43,341,000	42,934,000	43,906,000	4,289,000	10.8%
Academic support	199,965,000	162,777,000	166,138,000	160,729,000	(39,236,000)	-19.6%
Student Services	28,968,000	31,806,000	41,313,000	49,018,000	20,050,000	69.2%
Institutional Support	67,828,000	72,970,000	78,762,000	88,650,000	20,822,000	30.7%
Auxilaries	71,490,000	73,081,000	82,846,000	77,993,000	6,503,000	9.1%
Total Salaries	894,490,000	888,511,000	955,622,000	997,176,000	102,686,000	11.5%
	2016	2017	2018	2019		
Instruction	32.3%	33.6%	32.7%	33.1%		
Research	22.1%	23.2%	24.2%	24.8%		
Public service	4.4%	4.9%	4.5%	4.4%		
Academic support	22.4%	18.3%	17.4%	16.1%		
Student Services	3.2%	3.6%	4.3%	4.9%		
Institutional Support	7.6%	8.2%	8.2%	8.9%		
Auxilaries	8.0%	8.2%	8.7%	7.8%		
Total Salaries	100.0%	100.0%	100.0%	100.0%		
Instruction + Research	54.4%	56.8%	56.9%	57.9%		

Institutional support salaries (upper-level admin) increased much faster than instruction or research salaries

Instruction, Research and Institutional Support Salaries Only as a Percent of Total Salaries for UA vs. Peers (IPEDS, 2018)

Institution	Instruction	Research	Instruction + Research	Institutional Support
Wisconsin	31.4%	38.3%	69.7%	6.5%
UC Davis	49.2%	20.3%	69.5%	10.8%
UCLA	51.2%	15.1%	66.4%	6.9%
UW	45.2%	20.4%	65.6%	7.6%
Texas A&M	38.5%	25.7%	64.2%	4.9%
Iowa	35.5%	26.5%	61.9%	6.5%
Ohio St	45.1%	16.1%	61.2%	10.4%
Maryland	36.3%	24.3%	60.6%	8.8%
Penn St	38.7%	21.2%	59.9%	10.4%
UIUC	35.7%	22.2%	57.9%	3.3%
UT Austin	37.2%	20.3%	57.5%	7.1%
UNC	36.5%	20.4%	56.9%	6.8%
Michigan St	40.3%	16.6%	56.9%	7.2%
Arizona	32.7%	24.2%	56.9%	8.2%
Minnesota	31.1%	23.7%	54.8%	10.1%
Florida	31.3%	21.8%	53.1%	6.7%
Peer Mean	38.9%	22.2%	61.1%	7.6%
UA vs. Mean	-6.2%	2.0%	-4.2%	0.6%
UA Rank (of 16)	13	5	14	6

- This table reports the % of total salaries going to each function
- UA is 13th in instruction, 5th in research, but 14th in combined instruction + research.
- UA is 6th highest in spending on institutional support or upper-level administration

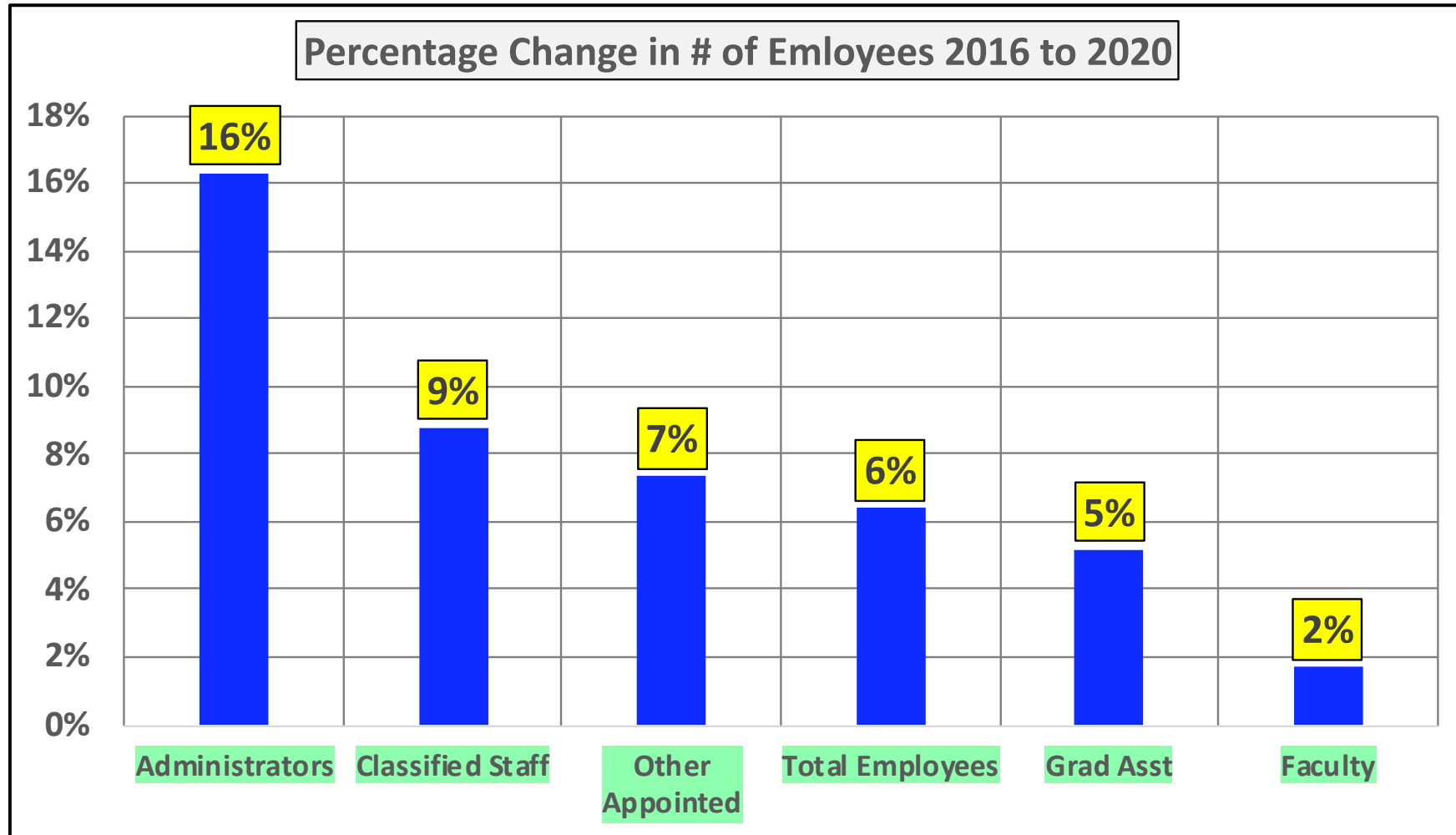
Number of Employees

Source: <https://uair.arizona.edu/content/workforce-demographics>

	2016	2017	2018	2019	2020
Administrators	184	175	192	190	214
Classified Staff	5,033	5,209	5,466	5,508	5,476
Faculty	3,158	3,070	3,090	3,201	3,212
Grad Asst	2,773	2,774	2,743	2,866	2,917
Other Appointed	4,382	3,828	4,132	4,452	4,704
Total Employees	15,530	15,056	15,623	16,217	16,523

% Change in Employees, 2016 to 2020

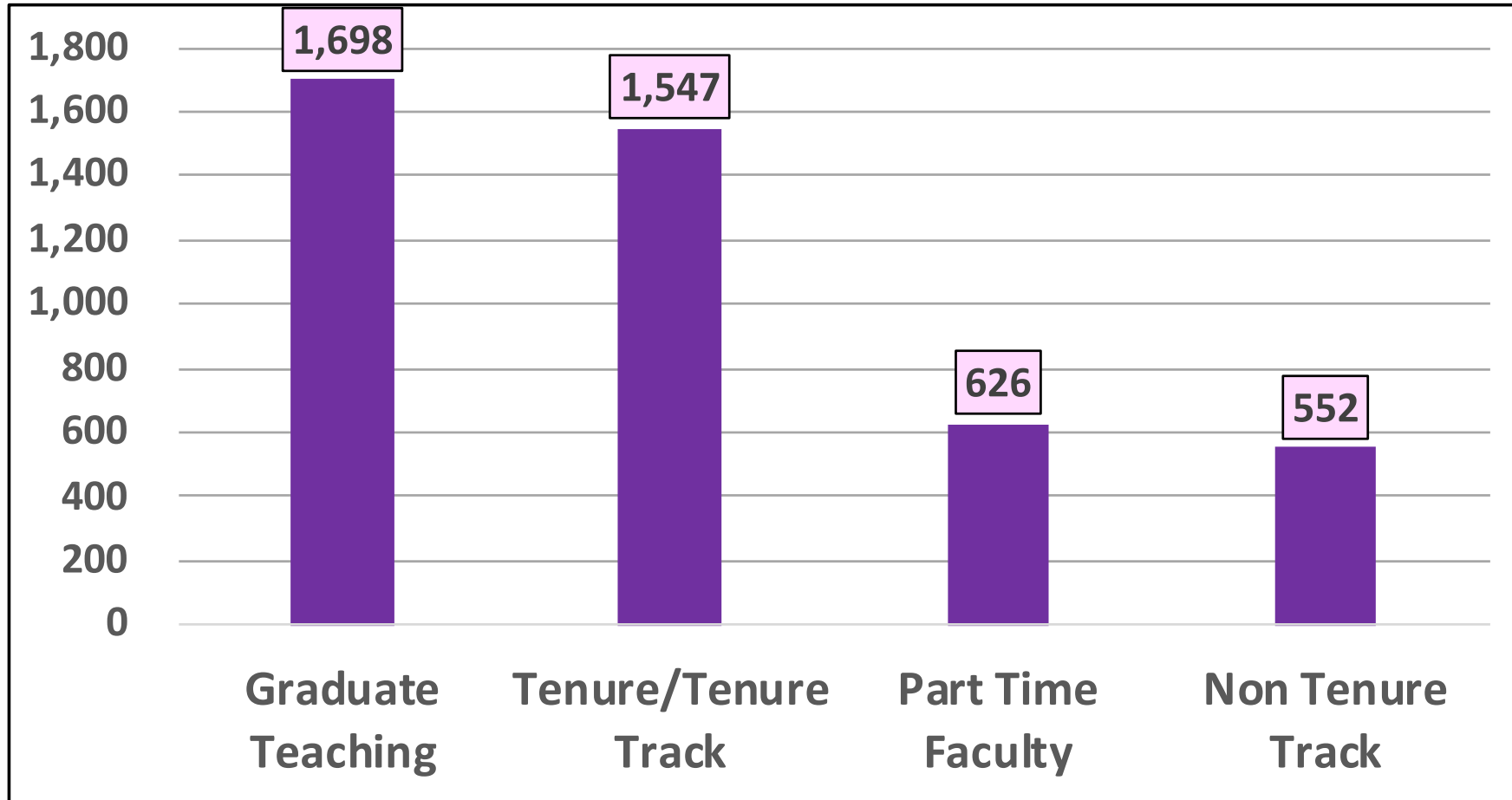
Source: <https://uair.arizona.edu/content/workforce-demographics>



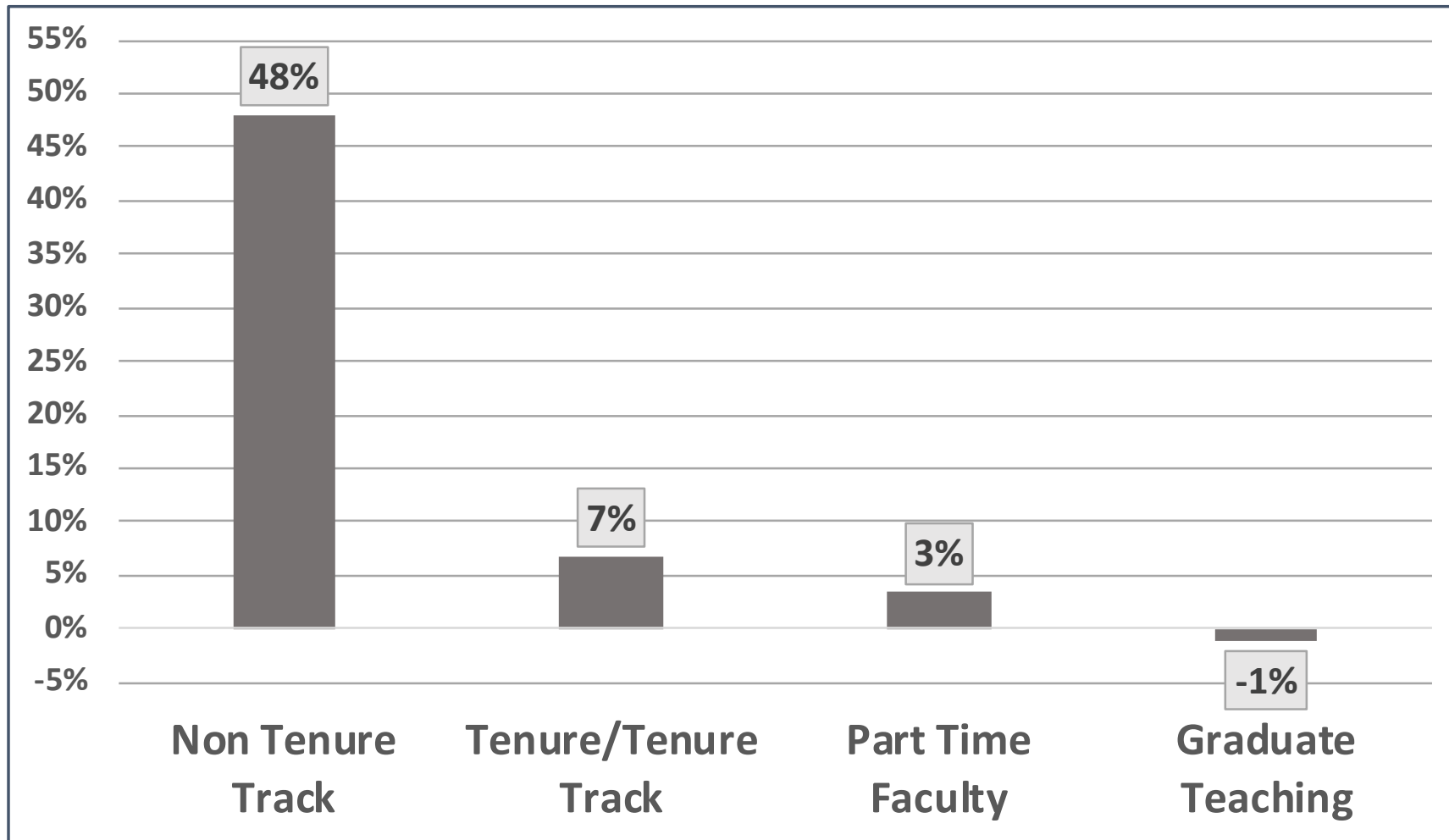
Number of Instructional Employees per IPEDS

	2016	2017	2018	2019	2020	# Change 2016 to 2020
Tenured	1,100	1,088	1,091	1,114	1,141	41
Tenure Track	349	386	412	432	406	57
T/TT	1,449	1,474	1,503	1,546	1,547	98
NTT Multi-Year	75	86	89	102	106	31
NTT Annual	294	328	363	397	437	143
FT No Faculty Status	4	6	6	11	9	5
Total Non Tenure Track	373	420	458	510	552	179
Total Full Time	1,822	1,894	1,961	2,056	2,099	277
Part Time Teaching	605	745	588	580	626	21
Part Time Research	170	164	172	135	163	(7)
Grad Teaching	1,719	1,909	1,867	1,942	1,698	(21)
Grad Research	886	719	875	923	1,019	133

Who Teaches Classes, Fall 2019 per IPEDS



Percentage Change in Instructors, 2016 to 2020 per IPEDS



Number of Non-Instructional Employees per IPEDS

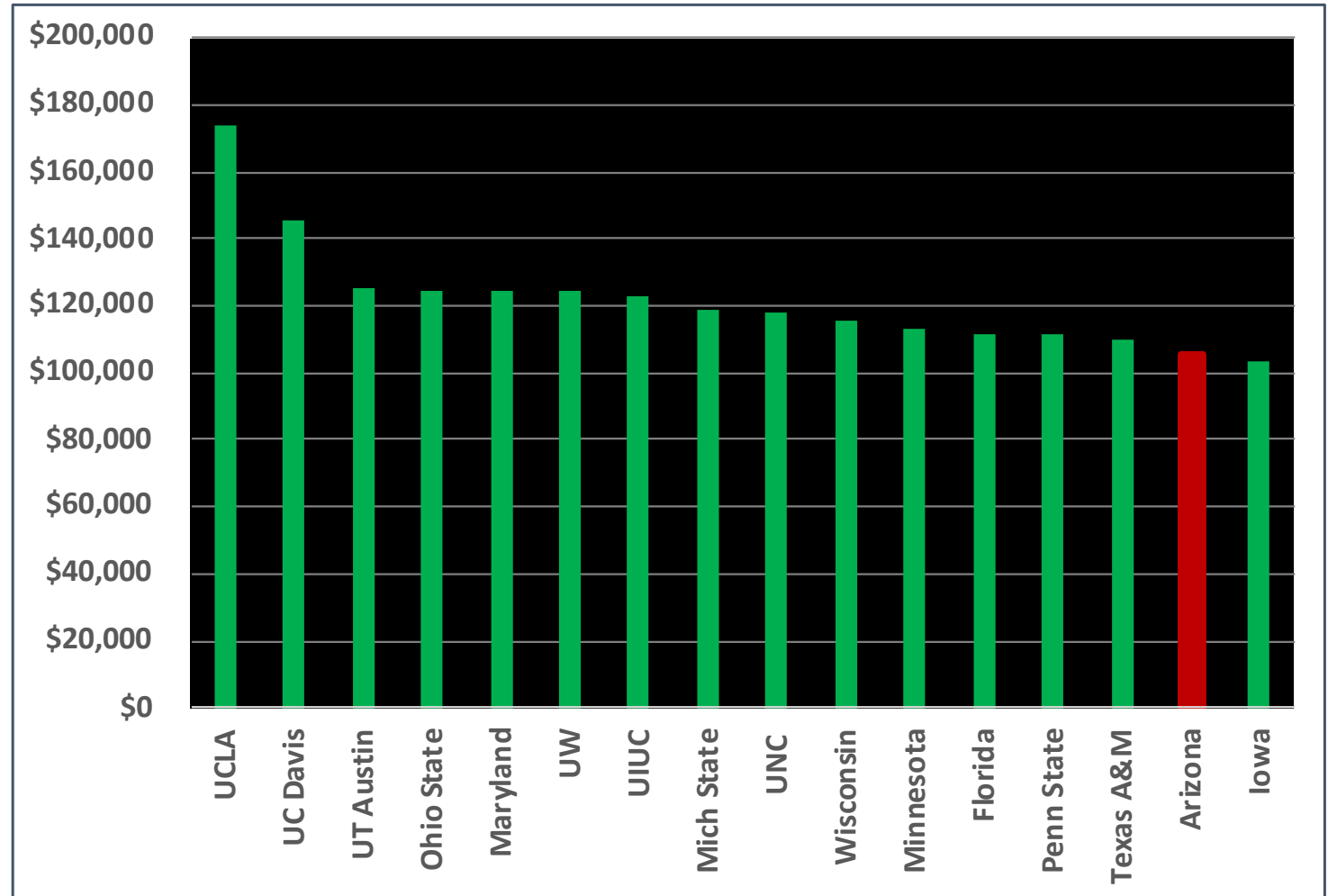
Non-Instructional	2016	2017	2018	2019	2020
Biz and Finance Ops	1,384	1,435	1,413	1,446	1,491
Computer Engin Science	1,393	1,417	1,451	1,458	1,468
Office and Admin support	1,172	1,202	1,195	1,270	1,276
Management	210	204	178	161	924
Research	824	688	666	733	749
Service	661	691	712	714	720
Student Affairs	739	767	687	657	588
Legal Arts Design Media Sports	411	463	397	382	402
Maintenance	318	323	332	335	340
Librarians	175	169	165	180	174
Transportation	118	123	125	122	122
Healthcare	818	134	128	124	101
Sales	33	29	24	24	25
Public Service	0	90	27	24	20
Total FT Non-Instructional	8,256	7,735	7,500	7,630	8,400

Given the large changes in the numbers over the years, reporting average salaries is not meaningful

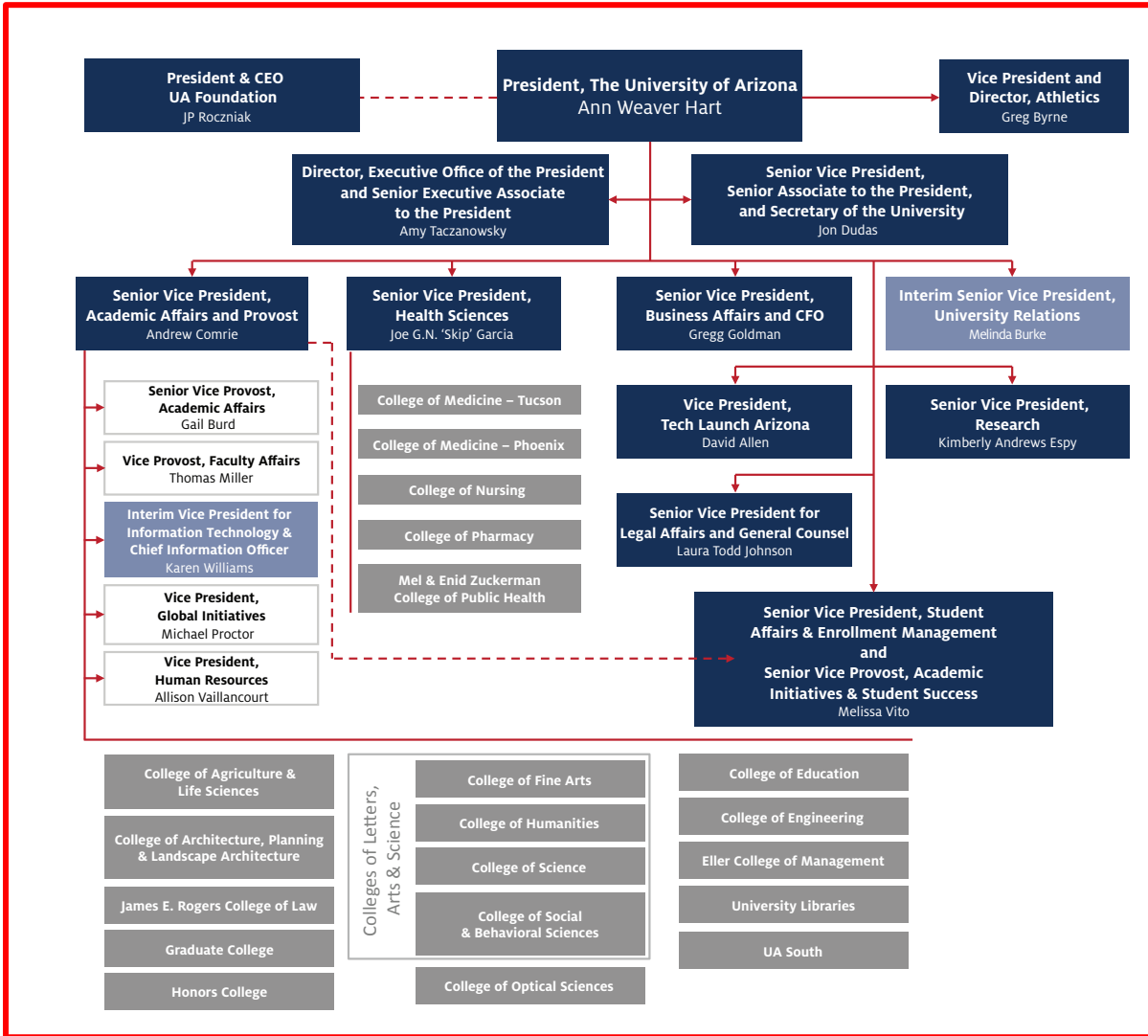
2020 All Ranks Salary, UA vs. Peers

Source: AAUP Compensation Survey

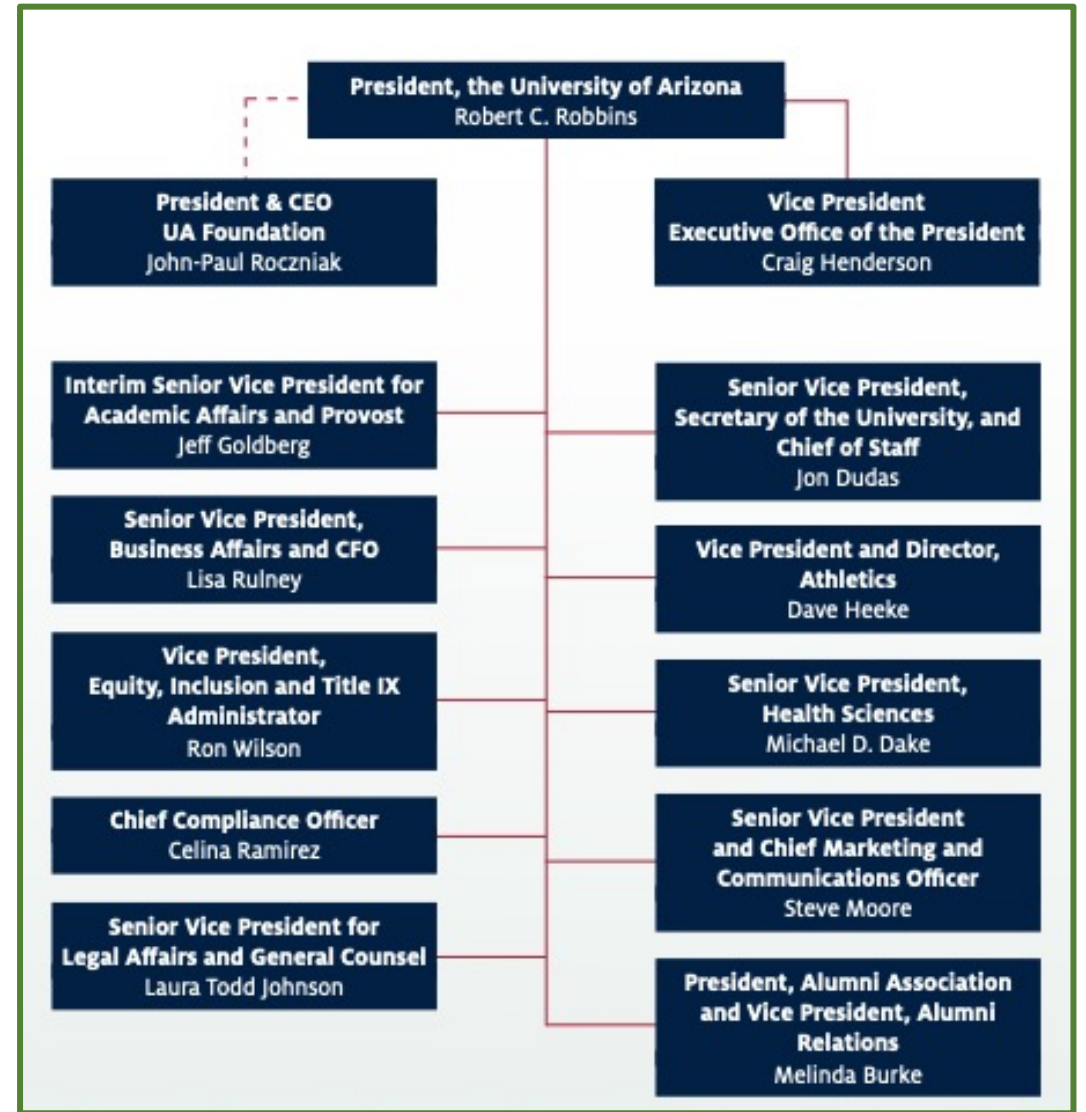
2020	All Ranks
UCLA	\$173,395
UC Davis	\$145,763
UT Austin	\$125,094
Ohio State	\$124,815
Maryland	\$124,590
UW	\$124,335
UIUC	\$122,506
Mich State	\$118,406
UNC Chapel Hill	\$118,338
Wisconsin	\$115,430
Minnesota	\$112,815
Florida	\$111,314
Penn State	\$111,132
Texas A&M	\$109,672
Arizona	\$105,284
Iowa	\$103,761
Peer Average	\$122,758
UA vs. Average in \$	(\$17,473)
UA vs. Average in %	-14%
UA Rank (of 16)	15



2016 Organizational Chart



2019 Organizational Chart



**UA Athletics:
Go Wildcats**

Athletic Revenues vs. Athletic Expenses Graphically

Source: USA Today Athletics Database

	2016	2017	2018	2019
Direct Athletic Revenues	\$75,818,531	\$80,907,477	\$83,403,803	\$83,205,222
Direct Athletic Expenses	\$87,254,614	\$91,756,963	\$103,329,464	\$100,565,835
Athletic Deficit	(\$11,436,083)	(\$10,849,486)	(\$19,925,661)	(\$17,360,613)
How is the Deficit Covered?				
Student Fees	\$0	\$0	\$1,132,276	\$1,896,373
Support from Rest of University	\$11,436,083	\$10,849,486	\$18,793,385	\$15,464,240
Total Subsidy to Athletics	\$11,436,083	\$10,849,486	\$19,925,661	\$17,360,613
Changes, 2016 to 2019	\$ Change	% Change		
Direct Athletic Revenues	\$7,386,691	10%		
Direct Athletic Expenses	\$13,311,221	15%		

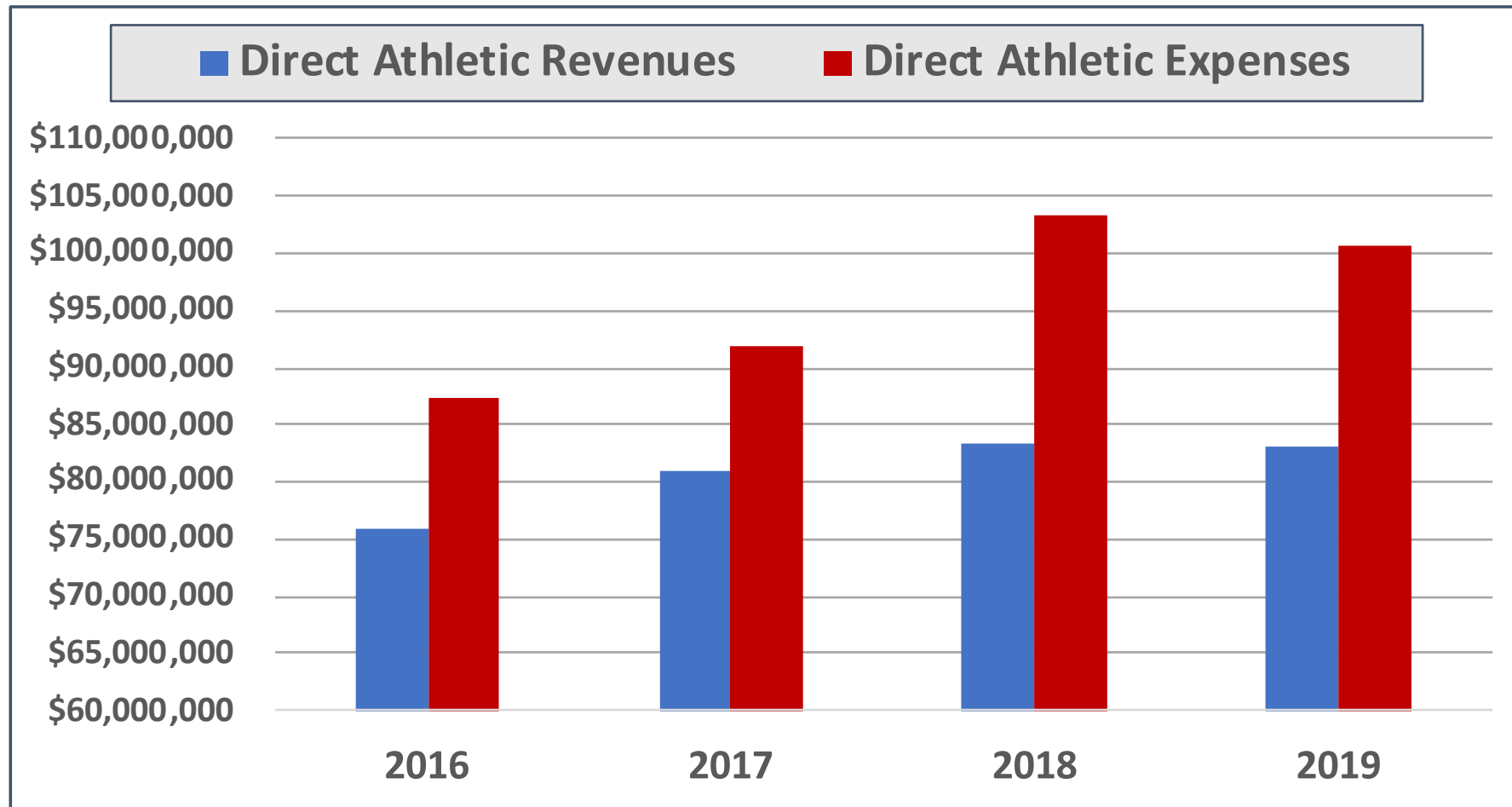
The imposition of a student fee for athletics in 2018 is an admission that athletics is not self-supporting

The administration may claim that the student fees and direct institutional support are “revenues.” However, these are not revenues, but subsidies from the core academic mission to prop up athletics.

This argument is completely bogus – athletics simply does not generate nearly enough revenue to cover its expenses

Direct Athletic Revenues and Expenses Graphically

Source: USA Today Athletics Database



Individual Athletic Revenues and Expenses

Source: USA Today Athletics Database

	2016	2017	2018	2019
Rights and Licensing	\$38,271,043	\$44,010,303	\$43,191,756	\$43,655,148
Contributions	\$18,904,155	\$18,169,527	\$23,226,028	\$20,914,842
Ticket Sales	\$15,433,644	\$15,490,786	\$13,768,437	\$14,584,292
Other	\$3,209,689	\$3,236,861	\$3,217,582	\$4,050,940
Total Athletic Revenues	\$75,818,531	\$80,907,477	\$83,403,803	\$83,205,222
	2016	2017	2018	2019
Coaching Salaries	\$34,929,172	\$34,672,392	\$36,305,420	\$34,861,786
Other (mostly athletic admin)	\$26,368,174	\$29,805,844	\$39,679,710	\$32,663,203
Facilities	\$13,545,649	\$13,059,722	\$14,366,559	\$19,608,817
Scholarships	\$12,411,619	\$14,219,005	\$12,977,775	\$13,432,029
Total Athletic Expenses	\$87,254,614	\$91,756,963	\$103,329,464	\$100,565,835
Athletic Deficit	(\$11,436,083)	(\$10,849,486)	(\$19,925,661)	(\$17,360,613)

Dollar and Percent Subsidies of Peers, 2019

Source: USA Today

2019	Total Athletic Expenses	Subsidy	Subsidy %
UC Davis	\$39,562,673	\$30,836,161	78%
Maryland	\$108,785,924	\$25,523,336	23%
ASU	\$118,404,377	\$22,754,888	19%
UCLA	\$127,339,042	\$21,505,805	17%
Arizona	\$100,565,835	\$17,360,613	17%
UNC Chapel Hill	\$110,809,706	\$12,160,461	11%
UIUC	\$120,168,951	\$10,480,926	9%
Ohio State	\$220,572,956	\$10,066,189	5%
Minnesota	\$129,450,256	\$6,966,534	5%
Wisconsin	\$154,621,828	\$48,788,591	32%
UW	\$131,317,636	\$1,676,923	1%
UT Austin	\$204,234,897	\$0	0%
Texas A&M	\$169,012,456	\$0	0%
Penn State	\$160,369,805	\$0	0%
Iowa	\$146,282,275	\$0	0%
Florida	\$141,829,002	\$0	0%
Mich State	\$135,655,740	\$0	0%
Peer Mean	\$138,651,095	\$11,922,488	12.5%
Arizona Rank (of 17)	16	6	5

Dollar Subsidy =
Direct Athletic Revenues –
Direct Athletic Expenses

(Student Fee + Direct
Institutional Support)

Percent Subsidy =
Dollar Subsidy /
Athletic Expenses; Average

**The Response to the
Coronavirus Pandemic
in the State of Arizona
and Nationally**

Jobs lost as NAU slashes budgets for fall semester due to coronavirus; Daily Sun, May 21, 2020

- Employees are facing the consequences as Northern Arizona University is making significant budget cuts for the start of a new fiscal year in the midst of the COVID-19 pandemic.
- Losses are estimated from \$30 million to \$100 million, NAU President Rita Cheng shared in an April 17 letter to the university community. This equates to almost 20% of the university's operating budget, she explained in another letter last week, and is a result of "unprecedented enrollment challenges as a result of demographic changes, shifting attitudes about the value of a college degree, and declining numbers of high school graduates." COVID-19 has worsened the situation, Cheng said.
- "This is not a financial situation that can simply be weathered through minor adjustments and temporary fixes to our operating budget," NAU spokesperson Kimberly Ott told the *Arizona Daily Sun*. "We need to make decisions that recognize this new operational reality and ensure fiscal sustainability for our institution that will allow NAU to continue to meet its strategic goals of student access and success."

Union Response at NAU

- the University Union of Northern Arizona (UUNA) responded, forming both a [letter](#) to the President and Provost addressing the university's response to such challenges as well as an [online petition](#) to stop layoffs, which had more than 800 signatures as of Wednesday evening.
- **“This is not the time to use layoffs to address a longer-term challenge,”** UUNA's executive board told the *Arizona Daily Sun* in an email.
- **“The repercussions of layoffs, particularly of those that make the least, will have ripple effects on the Flagstaff community and other communities we serve as this will add to the growing unemployment and pressures on communities already experiencing financial and health stressors.”**

National Response

- **20% Enrollment Decline** for Fall 2020 Is Now Part of the Landscape Inside Higher Education, April 29, 2020
 - Projection comes from SimpsonScarborough a higher education research and marketing company.
 - All their clients are administrations
- **The Coronavirus Enrollment Crash**
 - **Chronicle of Higher Education, May 7, 2020**
 - From the article: What do colleges and dinosaurs have in common? The risk of extinction.

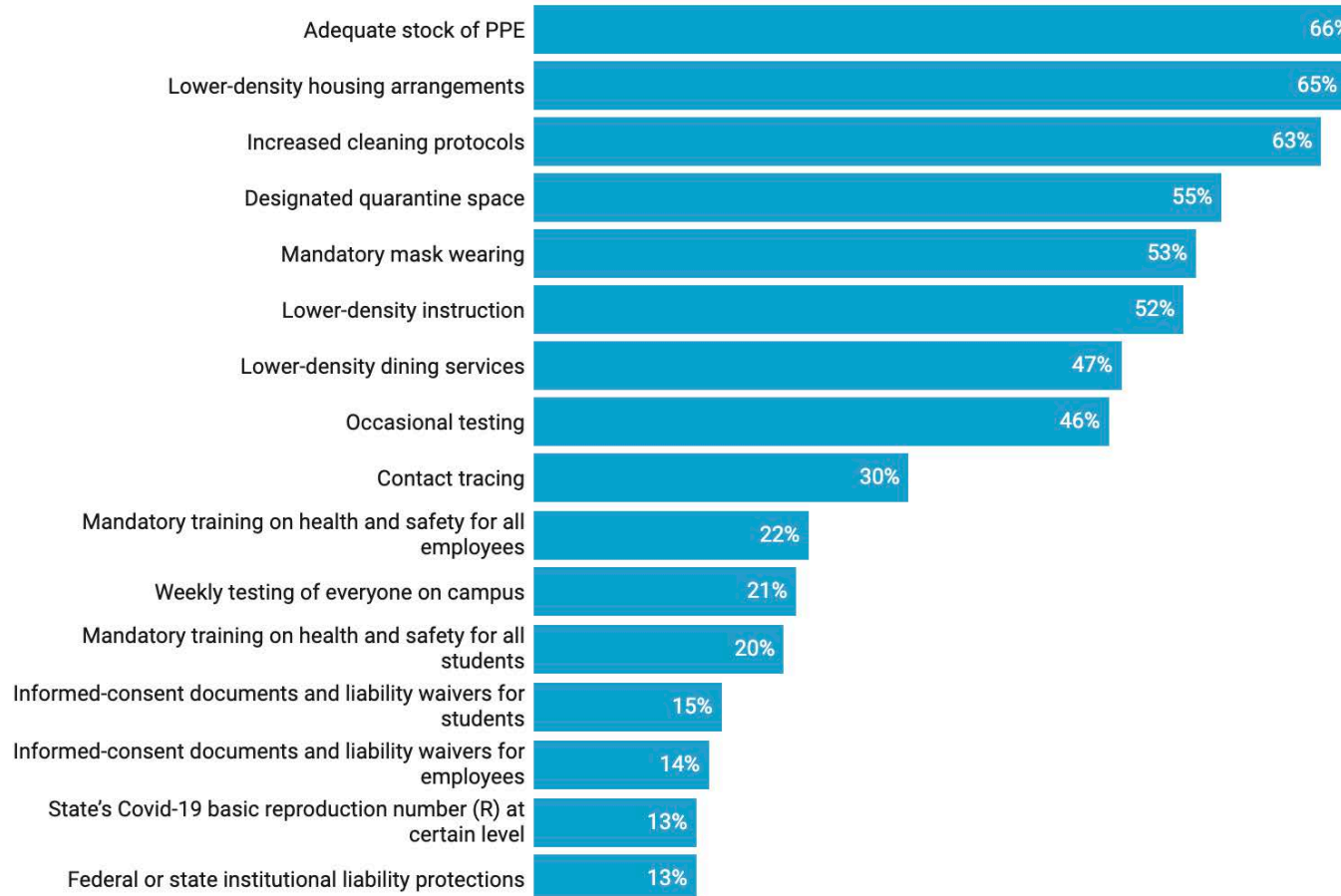
No furloughs in budget approved by VCU board of visitors

- **Richmond Times-Dispatch June 5, 2020**
- **The anticipated 10% drop carries with it a roughly \$41.4 million revenue hole for VCU, Chief Financial Officer Karol Kain Gray said in her presentation to the board, with \$16 million in contingency funds being used to balance the budget.**
- **VCU, like other schools, has instituted hiring and salary freezes, among other cost-saving measures.**

Potential Costs Admins Will Cite (Chronicle, 6/8/2020)

Estimated Cost

Of the conditions you would require or consider for reopening in person, have you estimated the cost?

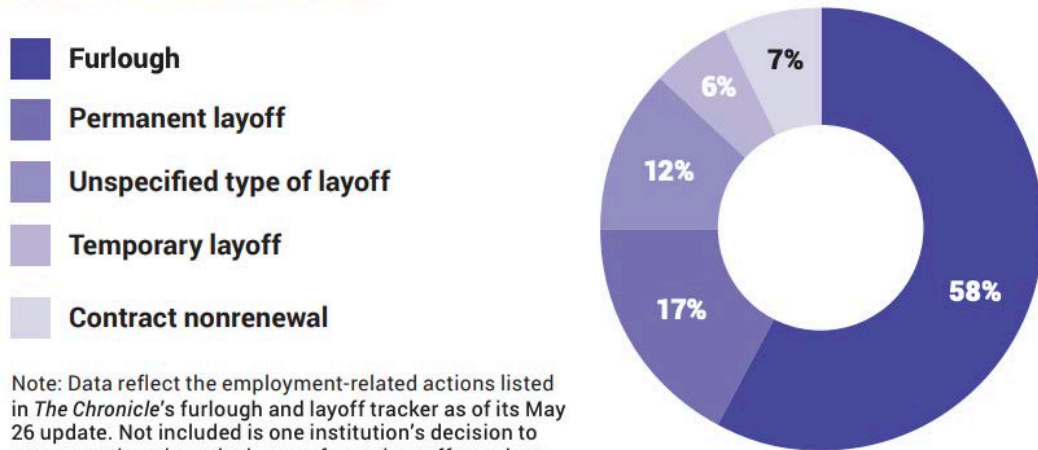


Hits to Higher Education

Source: Chronicle of Higher Education, June 26, 2020

College Jobs at Risk

Colleges have announced more than 250 employment-related actions – estimated to affect at least 48,000 employees – since the pandemic unfolded. The tally is dominated by furloughs, though some colleges have carried out more than one kind of action involving employees.

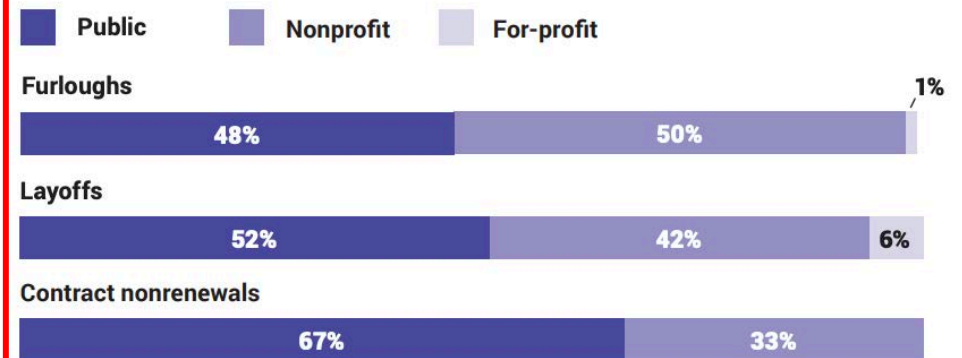


Note: Data reflect the employment-related actions listed in *The Chronicle's* furlough and layoff tracker as of its May 26 update. Not included is one institution's decision to permanently reduce the hours of certain staff members.

Source: *Chronicle* reporting

Public Colleges Are Hardest Hit

The largest share of layoffs and contract nonrenewals is happening at public colleges, whose state appropriations are in jeopardy because of the coronavirus's impact on the economy.

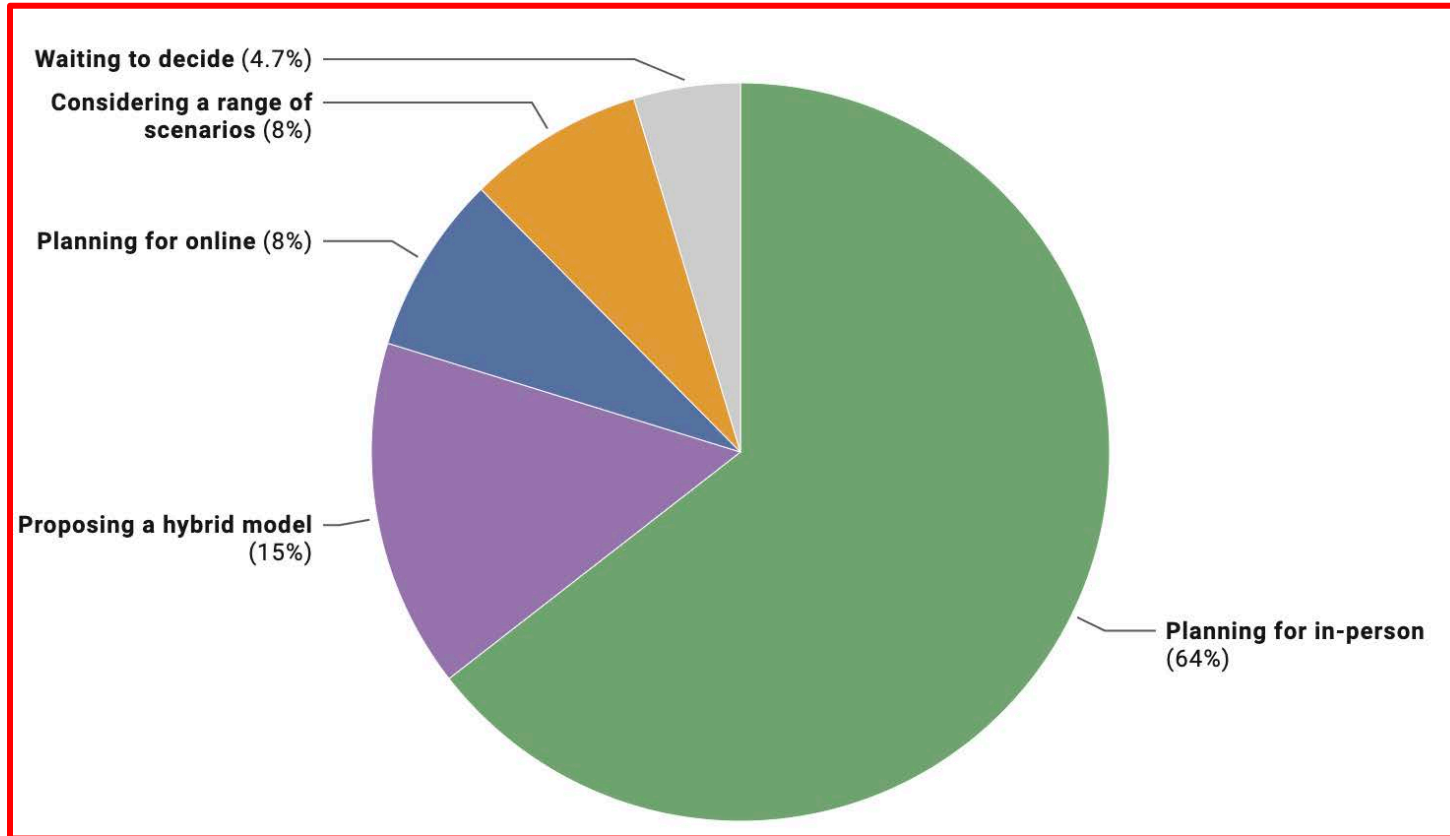


Note: Data reflect the employment-related actions listed in *The Chronicle's* furlough and layoff tracker as of its May 26 update. Not included is one college that decided to permanently reduce some workers' hours. Percentages may not add up to 100 due to rounding.

Source: *The Chronicle*

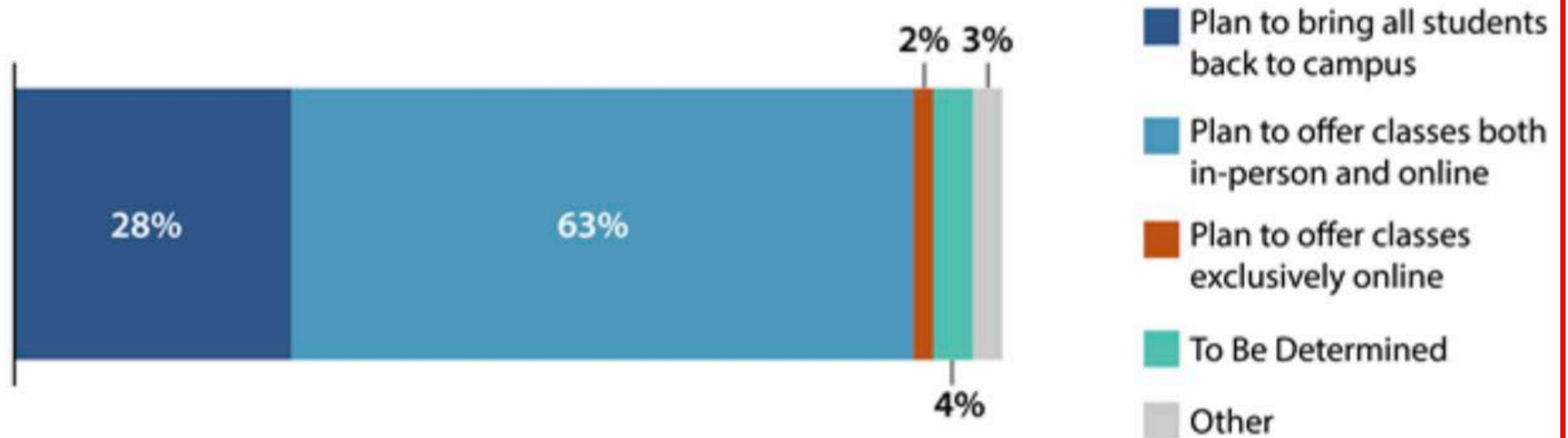
Fall 2020 Plans

Source: Chronicle of Higher Education, June 22, 2020



Arizona State University	Proposing a hybrid model
Northern Arizona University	Planning for in-person
University of Arizona	Planning for in-person

Fall 2020 Plan Per NACUBO Survey (National Association of College and University Business Officers) June 9-15, 2020



Why a Private University or a Public University Without State Legal Support Trying to Unionize is Not Feasible

- **St. Xavier No Longer Recognizes Faculty Union**
- **Inside Higher Education, June 22, 2020**
- The university will no longer recognize the union, citing the need to be "nimble and responsive" to pandemic-related financial challenges. Faculty are pushing back against the move.
- Board member: "The faculty affairs committee has repeatedly paralyzed the institution and prevented forward progress during a crisis in higher education and globally that demands agility, collaboration, alignment of core purpose and expeditious action."
- O'Keefe noted that neither Morris nor Joyner, nor any other board members, had ever attended a negotiating session. Asked if the Faculty Affairs Committee would consider joining a national union like the American Association for University Professors, he said it was a possibility.

Summary of What Can Be Done From a Financial Standpoint

There will be a decline tuition, housing and dining revenue

The issues are:

- Can the decline be alleviated?
- What steps should be taken?

Management Solutions around the country:

- Hiring freezes
- Furloughs
- Layoffs

Other Strategies:

- Work together to do everything possible to **enhance the student experience**, even in a remote environment
- **Reduce upper-level management and athletic spending**
- Use **reserves** – this situation is **EXACTLY** what reserves are designed to be used for
- Borrow short term: Rates are very low, and UA can handle a modest short-term borrowing