

January 29, 2024, 1:20 p.m.



Dear Students and Colleagues,

I hope your semester is going well, and that you are embracing all the University of Arizona has to offer.

I am writing today to provide an update regarding the [University's financial action plan](#). I want to reiterate that our University is strong. However, to remain so, there are significant structural budget deficits and real challenges that must be addressed. Fixing these challenges will require timely, strategic and sometimes difficult decisions. We will address these challenges head on, implement effective solutions and keep our University on an upward trajectory.

This afternoon, we presented a comprehensive update of the financial action plan to University leadership and shared governance partners, including deans, department heads, Faculty Senate officers and Committee of Eleven members, Strategic Planning and Budget Advisory Committee co-chairs, Staff Council leaders, and ASUA and GPSC student leaders.

Today's update is the result of extensive dialogue with the campus community and a comprehensive review and analysis of the University's financial information that provides us with an understanding of where we are, how we got here, and the necessary steps we must take to move forward. The presentation will be posted at the [University Financial Updates website](#), and you can find more information below. Our work will be ongoing.

Where We Are and How We Got Here

Over the past few weeks, Interim Chief Financial Officer and Senior Vice President for Business Affairs [John Arnold](#) has been diligently working with college and division leaders, shared governance partners and other members of our campus community to thoroughly review the University's financial position. This in-depth review and analysis brought much-needed clarity. We are not in imminent financial jeopardy, but

we must make significant changes to avoid such danger.

We face our financial challenges due to decades-long budgeting practices, decentralized budget and operations models, lower-than-expected revenues, investment in strategic priorities, and increasing costs in Athletics, as well as external factors including the COVID-19 pandemic and rising inflation. In addition, our revenues have not kept pace with rising costs in part due to tuition discounts to attract and retain exceptional students. It is important to note that the majority of spending across the University has been focused on strategic investments that benefit our students, faculty and staff.

In December, we announced immediate actions to slow spending and to help change the budget trajectory. These actions included the implementation of a hiring and compensation freeze, strict procurement guardrails and travel restrictions. Even with those measures, the latest information provided by college and division leaders indicates that we remain on a path of overspending, further depleting our cash reserves.

This is a widespread issue. According to our latest budget review, **61 of the 81 (or 75%)** reporting units within the University forecast continued deficit spending. Without further action, we would face a projected budget shortfall of \$177 million this year. Our budget shortfall would only get worse year-after-year if we took no immediate action to course-correct the overspending trend. We are not going to allow that to happen.

Next Steps

To implement the long-term solutions needed to eliminate our structural deficit and ensure the University's long-term financial health, we must act now. We will gain significant operational efficiencies and beneficial structural changes; however, some of our choices will be difficult. As part of the next phase of our financial action plan implementation, **we will:**

- Restructure operations across the University, including reducing administrative costs, centralizing certain functions and balancing authority, and implementing a new standard of financial reporting. These measures will improve outcomes through efficiencies.
- Rightsize college and division budgets. The deficit is a university-wide problem and must be addressed university wide. We will work with each college and division to rebalance resource allocations and to reduce costs.
- Establish a new budget model and process by Jan. 1, 2026.

- Modernize our Athletics operations from the ground up, including centralizing administrative functions, identifying efficiencies in operations, resetting the budget starting from zero, installing hard caps on spending and implementing revenue packages. Dozens of athletic departments around the country also are considering similar steps to address ongoing financial challenges.
- While UAGC has not had a negative financial impact on the University, we will continue working to ensure UAGC is more efficient and effective post-integration, achieving a significant positive financial impact.
- Review faculty and staff workload to ensure we are appropriately staffing our University and avoiding the hidden costs of an overstressed workforce.
- Explore early retirement incentives for faculty and staff.
- Enhance our revenues in the years to come, which means focusing on a new financial model, increasing summer and winter session revenues and exploring all auxiliary revenue opportunities.

We are fundamentally resetting how we operate and make budget decisions. We will establish new revenue sources. We will restore our financial health.

As we implement our financial action plan, it is important to remember that we remain committed to protect our core mission of teaching, research and outreach.

Therefore, **we will not:**

- Reduce need-based aid for Arizona resident students.
- Reduce need and merit-based aid for any current or accepted students through their time at the University of Arizona.
- Eliminate tuition guarantees for current and accepted students.
- Institute furloughs.
- Reduce retirement benefits.

Interim CFO John Arnold will work closely with leaders across colleges and divisions and their business officers to implement the new centralized budget system. This process includes a thorough review of budget details and expectations for FY 2025 and the development of individualized strategies and priorities to rightsize spend. Guidance related to those decisions will be communicated to you by college and division leadership as the financial planning process continues in your area. I thank you in advance for your time, effort and partnership.

We will continue to work with the Arizona Board of Regents and shared governance partners to inform solutions that will allow us to balance our budget by 2026 while also minimizing the impact on our students, faculty and staff. We will share regular updates about the financial action plan and budget decisions impacting the campus

community. This process will be transparent, measurable and accountable. Please visit the [financial updates website](#) if you have questions or would like more information.

We will take all actions necessary to ensure our University continues to provide an outstanding educational experience for our students, research that drives economies and improves lives, and outreach that benefits millions across the state of Arizona and far beyond.

I remain committed to serving this community and our University. Thank you.

Robert C. Robbins

President
The University of Arizona

Resources

- [University Financial Updates](#)
- [Human Resources Guidance](#)
- [Financial Services Guidance](#)

This email was sent to: all students, faculty, staff, and DCCs.

Privacy Statement

University of Arizona, 1200 E. University Blvd., Tucson, AZ 85721, US
© Copyright 2024 The University of Arizona. All rights reserved.

Land Acknowledgment

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.