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Subject: Transformation and Budget Update

Transformation and Budget Update

From President Robert Shelton and Provost Meredith Hay

As we begin the academic year, the final state budget is still unknown (it is apparent that the legislature will need to reconvene later in the fall to address what remains a significant revenue shortfall), but we wanted to share with you the latest information on where we are with both the budget and our Transformation Plan.

As you know, the University was cut by \$77 million in last year's state budget allocation. As we began planning for the current fiscal year, we asked each dean to make plans for a reduction of 7 percent, but with the understanding that there would not be across the board reductions. Rather, we have said from the beginning that the University would make differential allocations that were guided by its strategic planning priorities and the collegial input that is vital in a shared-governance environment.

The easy path in a difficult time like this is to make across-the-board reductions. But that is also the quickest route to mediocrity. Our commitment has always been to emerge from this process in a manner that strengthens the University's teaching, research and outreach capabilities, while positioning us to improve the state's economy, create jobs and attract additional revenue.

In developing this year's budget we have considered input from SPBAC, the Faculty Senate, the Provost's Advisory Council, the Transformation Plan white papers, and meetings with many groups across campus.

An important consideration in this process is our expectation of state support. Since 1990, the portion of the state budget going to higher education has declined from 16 percent to 10 percent. At the same time we have seen the total state budget, as a result of both tax cuts and the extraordinary downturn in the economy, shrink dramatically. So not only has higher education's portion of the pie been reduced, but the pie itself (the state budget) has grown smaller in recent years. We do not believe that there is any realistic expectation of this situation improving any time soon, which means we must place greater emphasis on the capacity of colleges to generate private support as well as increasing tuition revenues.

The international reputation of The University of Arizona is derived in great part by the breadth and depth of its many academic programs. As an academic community, we value all the components that contribute to the stimulating intellectual environment that makes this campus so unique. But in dire times we must make the difficult choices associated with differential investments.

In considering how to allocate funding this year, we were mindful of each unit's capacity to have a positive economic impact on the state (with an emphasis on job creation and growth) in those areas identified as priorities through our strategic planning process, primarily in alternative energy and biomedicine. We also gave consideration to each unit's capacity to generate outside revenue (from both research and philanthropy), while also weighing the potential savings that had not yet been fully realized through operational streamlining.

It is also important to note the value that has been placed on undergraduate education and the teaching function. This year the Tuition Funds Task Force recommended, and we have put in place, a budgeting redesign that increases the flow of tuition funds to those units that do the most teaching. We are also using federal stimulus funding to support the educational mission through the allocation of temporary teaching dollars, and will be taking additional steps to mitigate the impact on teaching in those units that are most seriously affected by the differential allocations.

This is a time of extraordinary change at our University. We appreciate that change of this magnitude is going to create unease in some quarters. But for The University of Arizona to prosper in the years ahead, transformation must occur with a focus on three important areas: 1) we must place an emphasis on innovation; 2) we must strengthen programs that impact the state and can draw state support; and 3) we must dramatically increase our fundraising. This year's budget reflects what we believe are the first steps to move us toward those goals.

Through the Transformation Process we will continue to look at creative ways to better serve students and streamline our operations. The creation of the Colleges of Letters, Arts and Sciences (CLAS) is a good example of the type of effort that can bring about administrative savings and improved opportunities for academic collaboration, without any negative impact on students and their learning experience at the University.

These are difficult times, but we have taken the first and most important steps to strengthen our ability to prosper in the years ahead. We want to thank everyone who has contributed to this process and, more importantly, thank everyone whose work continues to make this institution great.