

**Faculty Senate Report  
February 28, 2020**

**Christina S. Drale, Chancellor**

Since I will be out of town on February 28 for a family event, I have asked President Nolen to share this report with you ahead of time. I will address several topics in this report and then will ask Dr. Nolen to relay to me additional topics that come up.

Priority Areas

I have been asked to identify what I believe to be the priority areas of our academic portfolio. My priority areas are based on the role and scope of this institution as defined by the State of Arkansas and the UA Board of Trustees. Briefly, they include: 1) Maintain a solid liberal arts core as the basis for our general education curriculum. This is what makes a university comprehensive rather than something more narrowly defined such as a technical school or a conservatory. It is also what produces important, transferable skills such as those the Senate has defined for the core and skills in the major. 2) Provide programs that respond to the needs of the region, that have demand, and that prepare our students for viable career paths. Many of these will be pre-professional programs, but liberal arts programs can make this happen as well. 3) Provide graduate level programs that meet the demand for professional and/or advanced level preparation in areas that are in critical need for state and regional development. 4) Maintain a research portfolio appropriate to our Carnegie status. As an urban-focused institution, our research should be mostly applied and responsive to local, state, and national needs.

In our role and scope, the State recognizes that as a metropolitan institution in the capital city, we must not only be responsive to the needs of the metropolitan region, but we must also serve a diverse student population that includes a large portion of non-traditional students. We need to have the right mix of academic programs and student support services that will address the needs of this “post-traditional” population, both residential and commuter. Partnerships with community stakeholders will play an increasingly important role in helping us stay focused and relevant and in preparing our students to find their place among those partnering organizations.

Preserving these elements of our institution does not necessarily mean that we have to keep delivering them the same way as we have so far. We have to figure out two things: a) how much is enough of each? and b) how can we offer them sustainably? Within each of these categories, there are many good ideas and lots of programs that might be successful with more investment, but since our income will not support all of those options, we have to choose.

The Numbers

Based on some of the feedback I am getting, there is still some confusion about the budget figures we are dealing with. I will review the general budget issues here.

There are a variety of ways that we have been talking about the budget: operations vs. net position, E&G (education and general) vs. auxiliary, fixed vs. ongoing, and so on. I'll start with some basic definitions.

*Operations Budget:* This is the budget that we work with within a single fiscal year. It represents what we plan to spend in actual transactional expenditures. If this budget is set higher than what we actually take in as income, it has to be adjusted down to match that income. If it is set lower than what we take in as income, we have a surplus for either redistribution or to put in reserves.

*Net Position:* This is not exactly a budget, but rather a statement of our balance of assets and liabilities. It includes things like depreciation and represents our overall financial stability or risk. This is the figure that our auditors are most concerned with.

*E&G vs. Auxiliary:* Auxiliary organizations are typically those that are intended to be self-sustaining in terms of their income such as housing, health services, and the bookstore. Athletics is also categorized as auxiliary although few athletic programs cover their total costs with athletics income. The funds generated in these areas are auxiliary funds and kept separate from the rest of our budget, which is labeled Education and General.

*Fixed vs. Ongoing:* We sometimes refer to this as one-time money vs. ongoing. One-time or fixed funds are funds that are not renewed from year to year. When they are spent, they are gone. Grant funds are in this category, so are plant and most designated funds. Ongoing funds are assumed to be re-budgeted each year from a known, ongoing source such as state appropriations or tuition revenue. In a very real sense, none of our funding is guaranteed to be ongoing, but we treat it as such for budgeting purposes.

For last year's operating budget (fiscal year 2019) Chancellor Rogerson directed the budget office to build a budget based on a projection of a 1.5% *increase* in enrollment. We actually had a 4.7% decrease in enrollment and also learned that we would be expected to eliminate the negative balance in our net position. The Chancellor decided to use across-the-board cuts in maintenance funds and to cut nearly all open positions in all divisions. He also implemented a spending freeze late in the year to ensure our operating expenditures did not exceed our income. We ended the year with a positive balance in our FY19 operating budget and made some progress on our net position but ended up carrying forward \$5.6 million in a negative net position.

When we set the operational budget for this year (fiscal year 2020), Chancellor Rogerson directed the budget office to project an income based on a 1% *decline* in enrollment. We actually had a 9% decline in enrollment, so by September, we understood that we had a deficit in our FY20 operations budget of approximately \$5 million in addition to the \$5.6 million deficit in our net position. There were several other adjustments that had to be made to this year's budget so when the dust settled, we were looking at an \$11 million total deficit. This was our new net position at the beginning of this fiscal year.

In order to get us back to just the carryover portion of our net position, in other words, to adjust our operations budget to actual income, I announced that there would be three rounds of cuts to balance this year's operations budget. We have made the first two rounds of cuts and are 3/5 of the way to a balanced FY20 operations budget. Our net position is currently around negative \$8 million. In order to make permanent progress towards a balanced budget and a balanced net position, I announced that we would seek retrenchment status using academic planning.

For next year (fiscal year 2021), we are projecting a more realistic enrollment level based on trend analysis. We hope to beat our projections, but we believe that even with promising trends in freshman admissions we must project a 6% decline overall, which will translate to an additional \$4 million in

deficit. If we had not made any cuts this fiscal year, we would then be looking at a negative net position of \$15 million next fall. If we did nothing more this year, it would be \$12 million negative (adding \$4 million to \$8 million). We are going to get as far as we can this fiscal year and continue to reduce through next year as we adjust to actual revenue and enrollment.

It is important to note that even though we have promising early indicators of a turnaround in freshman admissions and even though we have a concrete enrollment management plan with targets for increased enrollment in all categories, our projected turnaround will begin by slowing then stopping the decline. Then it will slowly begin to increase our enrollment levels. But it will take us five years just to get back to where we were this fall. Then growth will be modest after that under the best of circumstances because demographic data projections indicate lower numbers of high school graduates. So that means that we cannot leave our budget the way it is and wait for growth. We are too far away from our projected revenues over the next five years to maintain the status quo. Attached to this report are three documents. The first is the enrollment projections through fall 2024 that you have seen in the Strategic Enrollment Management Plan. The second and third documents are graphic representations that compare projected enrollment if we meet our EM targets, and where we would be if we didn't do anything to enhance enrollment and simply let the trend to date play out. The "A" lines are EM target projections. The "O" lines are the enrollment projections without intervention (if we did nothing).

#### What does retrenchment mean exactly and why are we doing it?

I described this in my message to the campus community in January, but let me review it here. The Board policy on retrenchment specifies two types of retrenchment: financial exigency and academic planning. Financial exigency status requires evidence that an institution cannot meet its financial obligations and that there is no expectation of a recovery to support current levels of spending. This is a serious condition and it usually means that the institution has no remaining reserves or cash on hand, and no means of getting a loan. UA Little Rock is *not* in a state of financial exigency, but it would quickly get there if we did not start addressing our budget issues now. UA Little Rock has reserves of approximately \$30 million and maintains a good bond rating.

The second type of retrenchment is called academic planning and it allows an institution to eliminate or reduce the size of academic programs and to terminate faculty, including tenured faculty, associated with eliminated or retrenched programs if necessary. This is the type of retrenchment I will be presenting to the Board of Trustees.

Some of you have asked, why academic planning and why don't we cut other divisions first? The truth is that we *have* made cuts in other divisions as well as academic affairs, but we have to cut more to reduce our budget to a sustainable level. I will provide a quantitative summary of reductions for all non-academic units in the next few weeks, but in the meantime, I want to explain the rationale for cutting academic programs and personnel under the current circumstances.

Since 2010 we have lost 3,527 students—undergraduates and graduates excluding the Law School and high school concurrent. That is a loss of 30% of our student body in one decade. There was a big drop in 2013 and 2014 and then the loss began to accelerate again in 2016. We lost a whopping 791 students between fall 2018 and fall 2019.

## Fall Headcount Excluding Law School and High School Concurrent

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
11,583	11,386	11,156	10,629	9,917	9,929	9,607	9,284	8,847	8,056

Even though we have cut faculty positions through attrition in the last several years, we still maintain a student-faculty ratio of 13:1 (last year it was 12:1) while most of our competitors have ratios of 15-17 to 1. Some of our departments have ratios of 8 or 9 to 1. This is not sustainable. Moreover, even though we are working very hard on reversing this negative enrollment trend, we are unlikely to regain the numbers we had even five years ago in the near future (we will get there eventually, but it will take time). We have to adapt to the current level of enrollment. A reduction of our instructional workforce is a rational and responsible response to a significant and sustained decline in enrollment.

Some have argued that we could, indeed, sustain our current instructional workforce if we cut deeper into our business offices. For our business offices such as Payroll, Human Resources, Procurement, Grounds and Custodial, Public Safety, etc. the workload doesn't change significantly when enrollment declines. We are working on making these offices more efficient and we have cut positions in all of them, but there is only so far we can go before we lose those functions altogether.

Others have suggested that we should go back to considering across-the-board cuts such as salary and/or benefits reductions, furloughs, and other methods that would spread the cuts over all units equally. I certainly understand the heartfelt commitment to avoiding layoffs. No one looks forward to those difficult choices. But I strongly believe that across-the-board cuts are the wrong strategy for UA Little Rock. The primary reason is that across-the-board cuts are not based on any kind of strategic analysis. They make all units weaker, thereby making the whole institution weaker. We are unable to invest in or preserve our strengths. As a campus community, we have been urging our leadership to stop cutting across-the-board and take a more strategic approach. We are doing that now. Another reason is that because they are not based on any kind of data analysis, across-the-board cuts tend to be ineffective in the long run because they do not address the root issues at the institution and do not focus on mission. The fundamental purpose of the Institutional Effectiveness Committee is to help us do this analysis so we understand our strengths and weaknesses and can respond accordingly. The only reason to use the method of across-the-board cuts is if we believed that the shortfall would be very short-term and that we could restore those cuts in a year or two. That is simply not the case. The cuts we make must be permanent and will be long-term.

### How will this work?

The Provost has outlined the Academic Planning process and will be providing updates as we go. Likewise, Faculty Senate President Nolen has described the process for the Senate Ad Hoc Committee to make recommendations regarding retrenchment. I won't restate those plans here, but I'd like to clarify a few issues. It is important to keep in mind that the academic planning retrenchment process starts by identifying *programs* for possible retrenchment—either reduction or elimination. The retrenchment plan that is presented to the Board of Trustees will concern academic programs and not personnel. Only after the Board approves the plan will the institution identify personnel affiliated with those programs and determine the level and pace of workforce reduction. The question has been asked how will we determine exactly which faculty are affiliated with individual programs, especially in departments with

multiple programs where the divisions of labor may not be clear cut. What I can tell you at this point is that this will be determined on a case-by-case basis for each program. We do not have a specific formula or algorithm to determine this ahead of time. It will involve a careful review of credentials and qualifications for each individual. I know this answer will not satisfy some, but it is the answer that we have. A related question is how will the institution go about making attempts to relocate displaced faculty members as specified by policy. Again, there is no singular answer to this. What I can tell you is that we will relocate a faculty member when there is an opening in another area and the faculty member's expertise matches a need in that area.

### Conclusion

As you know, we have just concluded our HLC accreditation visit and I am happy to report that the visit appears to have gone very well. They understand the challenges we face, but they were impressed with the planning structures we have put into place to address these challenges and to align our budget processes with planning and mission. They encouraged us to stay on course and follow through. This will undoubtedly be the most difficult thing we've ever done—but we have the capability to do it and we must do it. As I've said before, I am confident that we will emerge a stronger, more focused, sustainable institution. I am grateful to all of you for your engagement in this process.

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<sup>i</sup> The projections are 5% decline for undergraduates, 14% for graduate, for a combined undergraduate and graduate projection excluding Law and concurrent of 7% decline. The overall university decline is projected at 6%.