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	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	27.9	27.9	27.9
Personal Services	1,433,700	1,438,700	1,463,200
Employee Related Expenditures	302,600	354,500	427,700
Professional and Outside Services	58,300	50,600	50,600
Travel - In State	200	0	0
Other Operating Expenditures	295,200	291,200	253,200
<b>OPERATING SUBTOTAL</b>	<b>2,090,000</b>	<b>2,135,000</b>	<b>2,194,700</b>
<b>SPECIAL LINE ITEMS</b>			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Student Financial Assistance	2,161,200	2,161,200	2,161,200
Western Interstate Commission Office	109,500	103,000	103,000
WICHE Student Subsidies	2,873,100	2,908,100	2,908,100
Ch. 330 Nursing Education	0	0	1,434,500 <sup>1/</sup>
<b>AGENCY TOTAL</b>	<b>7,537,500</b>	<b>7,611,000</b>	<b>9,105,200<sup>2/</sup></b>
<b>FUND SOURCES</b>			
General Fund	7,537,500	7,611,000	9,105,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,537,500</b>	<b>7,611,000</b>	<b>9,105,200</b>
Other Non-Appropriated Funds	54,776,400	62,393,800	62,393,800 <sup>3/</sup>
Federal Funds	900,800	751,400	716,700
<b>TOTAL - ALL SOURCES</b>	<b>63,214,700</b>	<b>70,756,200</b>	<b>72,215,700</b>

**AGENCY DESCRIPTION** — Article 11 of the Arizona Constitution creates the Arizona Board of Regents (ABOR). ABOR governs the 3 state institutions comprising the Arizona University System: Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA). The board is legally, fiscally, and strategically responsible for the state universities.

<sup>1/</sup> The amount represents an estimate based on available information. The Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) appropriates a total of \$4,000,000 annually, through FY 2010, for the Arizona Partnership for Nursing Education Demonstration Project and allocates the monies between ABOR and the Department of Commerce based upon the respective numbers of university and community college nursing graduates in FY 2005. ABOR will not have a final count of university nursing graduates until August 2005.

<sup>2/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

<sup>3/</sup> Within 10 days of the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall inform the Joint Legislative Budget Committee of any tuition revenue amounts that are different from the amounts appropriated by the Legislature and shall submit an expenditure plan for any tuition revenue amounts that are greater than the appropriated amounts to the Joint Legislative Budget Committee for its review. The expenditure plan shall also include as an informational item, any additional local retention amounts above the amounts estimated in the original FY 2006 budget request. (General Appropriation Act footnote)

<b>PERFORMANCE MEASURES (System-Wide)</b>	FY 2003	FY 2004	FY 2006
	Actual	Actual	Approved
• % of graduating seniors who rate their overall university experience as “good”/“excellent”	95	95	95
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	78	74	77
• Average number of years taken to graduate for students who began as freshmen	4.7	4.7	4.7

**Comments:** The percentage of graduating seniors who rate their overall university experience as “good” or “excellent” derives from nearly 8,500 responses.

### **Operating Budget**

The budget provides \$2,194,700 from the General Fund for the operating budget in FY 2006. The approved amount includes an increase of \$59,700 from the General Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

### **Special Line Items**

#### **Arizona Teacher Incentive Program**

The budget provides \$90,000 from the General Fund for the Arizona Teacher Incentive Program (ATIP) in FY 2006. This amount is unchanged from FY 2005.

Laws 1990, Chapter 340 mandated that ABOR establish and administer a loan program for students of deaf and blind education at the UA College of Education. Students may earn forgiveness of their loans for teaching in a deaf and blind program for a time equal to their period of loan support. In FY 2005, ATIP distributed \$50,000 in loans between 10 students, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

#### **Arizona Transfer Articulation Support System**

The budget provides \$213,700 from the General Fund for the Arizona Transfer Articulation Support System (ATASS) in FY 2006. This amount is unchanged from FY 2005.

ATASS is a joint initiative, among the community colleges and universities, to facilitate the efficient transfer of course curricula and credits. ATASS is also developing a shared statewide student and financial information database.

#### **Student Financial Assistance**

The budget provides \$2,161,200 from the General Fund for Student Financial Assistance in FY 2006. This amount is unchanged from FY 2005.

Pursuant to A.R.S. § 15-1642, monies in this line item match financial aid tuition surcharges collected from university students in the Arizona Financial Aid Trust

(AFAT). AFAT receives 1% of full-time student tuition and 0.5% of part-time student tuition, plus legislative appropriations.

AFAT retains half of all annual receipts as a permanent financial aid endowment. ABOR distributes the remaining monies, in proportion to each university’s respective contribution, to provide immediate assistance to needy or minority in-state students. In FY 2004, AFAT disbursed \$3.4 million in financial aid. *(Please see Table 5 for a summary of FY 2003 financial aid distributions from all sources.)*

#### **Western Interstate Commission Office**

The budget provides \$103,000 from the General Fund for the Western Interstate Commission Office in FY 2006. This amount is unchanged from FY 2005.

Monies in this line item pay the state’s share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742.

#### **WICHE Student Subsidies**

The budget provides \$2,908,100 from the General Fund for WICHE Student Subsidies in FY 2006. This amount is unchanged from FY 2005.

Monies in this line item provide subsidies to Arizona students participating in the WICHE Professional Student Exchange Program (PSEP). Since the Arizona University System does not offer programs in dentistry, optometry, occupational therapy, osteopathy, physician assistance, or veterinary medicine, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities. Participating students receive admissions preference and subsidized tuition. The WICHE office determines subsidy amounts for each subject area.

Among WICHE states, Arizona exports the most students. In FY 2004, 157 Arizona students received subsidies through WICHE. Of those 157 participants, 25 attended private schools within Arizona.

A.R.S. § 15-1745 requires graduates to practice 1 year in Arizona, or 6 months in an under-served Arizona community, for each year of WICHE support. Participants who fail to meet their service requirements must repay 50% of their subsidies, plus interest.

**Ch. 330 Nursing Education**

The Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) provides \$1,434,500 from the General Fund to ABOR for the Arizona Partnership for Nursing Education Demonstration Project (APNEDP) in FY 2006. This amount is an estimate based on the number of university nursing students graduating in FY 2005. ABOR will not have a final count of these graduates until August 2005.

Chapter 330 appropriates \$4 million annually through FY 2010 for APNEDP and allocates the monies between ABOR and the Department of Commerce based upon the respective numbers of university and community college nursing graduates in FY 2005. Chapter 330 also directs ABOR to distribute its share of the monies among the state universities.

Chapter 330 establishes the goal of doubling the state’s annual nursing graduates between FY 2005 and FY 2010, while improving the geographic placement, diversity, and efficiency of nurses around the state. The state’s higher education institutions must hire additional qualified nursing education faculty members and provide more teaching resources in nursing degree programs. The various institutions may not use the monies for capital expenses.

**Additional Legislation**

**Higher Education Budget Reconciliation Bill**

In addition to APNEDP, the Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) includes several provisions affecting the state universities, including, but not limited to, the following:

- **Enrollment Formula**  
The calculation for student enrollment, applying to all state universities, now appears in statute. This computation derives student enrollment, in units of full-time equivalent (FTE) students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

<u>Academic Level</u>	<u>Credit Hours/FTE</u>
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

- **Enrollment Audit**  
The Auditor General must audit annual university enrollments, in a manner similar to existing community college enrollment auditing.

- **Enrollment Count**  
ABOR must report to the Joint Legislative Budget Committee (JLBC) and the Governor’s Office of Strategic Planning and Budgeting (OSPB), by December 1, 2005 and April 15, 2006, its suggestions for the semester day of the credit hour count. Those reports will include enrollment comparisons between the 21<sup>st</sup> and 45<sup>th</sup> days of the fall and spring semesters. Currently, universities count credit hours on the 21<sup>st</sup> day of the semester, while community colleges count on the 45<sup>th</sup> day.

- **Withdrawn Students**  
The universities must record all student withdrawals by date.

- **Phoenix Medical Campus**  
UA will establish a medical campus at the former site of Phoenix Union High School. ABOR must submit for JLBC review, by September 1, 2005, detailed operational and capital plans for the Phoenix Medical Campus. Of the \$7 million appropriation from the General Fund for the new campus, Chapter 330 provides only \$3.5 million on July 1, 2005. An additional \$3.5 million will become available by October 5, 2005, contingent on the submittal. The Legislature intends not to appropriate more than \$7 million from the General Fund in any fiscal year for the campus.

ABOR must also submit for JLBC review, by December 31, 2005, a progress report on the Phoenix Medical Campus. Any significant changes to the operational plan must receive JLBC review and any significant changes to the capital plan must receive review by the Joint Committee on Capital Review. (For more information, please see the UA - Health Sciences Center and ASU - Main sections.)

- **Joint Study Committee On Medical School Education**  
The Joint Study Committee on Medical School Education is established to evaluate statewide needs for medical education and report by December 1, 2005.
- **Clinical Rotations**  
Medical schools in the state cannot restrict their associated hospitals from offering clinical rotations to any qualified medical student.
- **Legislative Funding Limit / Differentiated Tuition**  
The Legislature shall not appropriate monies to support, and ABOR can differentiate tuition paid by, university students who have exceeded a credit hour threshold. Chapter 330 sets that threshold at 155 hours in FY 2007, 150 hours in FY 2008, and 145 hours from FY 2009. The threshold does not apply to students in programs requiring additional credits.

- *Tuition Planning Report*  
ABOR must report to JLBC and OSPB, by December 31, 2005, on the advisability and options of limiting tuition increases for continuing students to no more than inflation.
- *Useful Life Bonding Limit*  
The term of any bond issued by ABOR or the universities, if less than 40 years, cannot exceed the useful life of the associated project.

**University System Summary Tables**

Table 1 and Table 2 summarize FY 2006 expenditure authority for the Arizona University System. Table 3 shows tuition and fee changes for FY 2006.

Table 4 displays total tuition collections for the Arizona University System, an estimated \$585 million in FY 2005. Since the FY 2006 amounts derive from the universities' FY 2006 budget requests, this table does not account for the FY 2006 tuition changes displayed in Table 3.

The universities project their expenditure needs for financial aid, facilities (plant fund), debt service, and the operating budget. A.R.S. § 15-1626 authorizes ABOR to then allocate collections between the appropriated operating budgets, under Legislative control, and non-appropriated funds, locally retained by the universities. In FY 2005, ABOR allocated approximately \$349 million to appropriated operating budgets and \$236 million to non-appropriated funds.

Table 5 shows the financial aid distribution, the sources of aid, and the number of aid recipients in the Arizona University System for FY 2003. Of \$552 million total financial aid distributions in FY 2003, the state appropriated \$1.4 million and university institutional sources provided \$101 million.

A Strategic Program Area Review (SPAR) of Financial Aid will occur during the summer of 2005. This SPAR will work to provide a comprehensive review of available financial aid relative to student financial need.

**Table 1**

**FY 2006 SUMMARY OF SPENDING AUTHORITY**

	Formula (FTE) Enrollment	Appropriated Funds			Non-Appropriated Funds		Total
		General Fund	Collections Fund	Tech&Rsch Fund (TRIF)	Federal Funds	Other Funds	
ABOR		\$ 9,105,200	\$ 0	\$ 0	\$ 716,700	\$ 62,393,800 <sup>1/</sup>	\$ 72,215,700
ASU-Main	45,637	300,964,900	171,622,500	0	140,710,600	342,927,200	956,225,200
ASU-East	2,593	15,394,700	11,305,100	2,000,000	3,382,300	5,024,200	37,106,300
ASU-West	6,094	44,032,000	17,335,700	1,600,000	1,853,700	7,761,700	72,583,100
NAU	16,707	122,336,800	36,190,300	0	47,187,600	121,841,100	327,555,800
UA-Main	32,435	288,100,100	107,128,500	0	241,732,300	426,122,000	1,063,082,900
UA-Health Sciences Center	1,609	63,208,600	12,546,700	0	113,413,600	75,835,800	265,004,700
<b>Total</b>	<b>105,075</b>	<b>\$ 843,142,300</b>	<b>\$ 356,128,800</b>	<b>\$ 3,600,000</b>	<b>\$ 548,996,800</b>	<b>\$ 1,041,905,800</b>	<b>\$ 2,793,773,700</b>

<sup>1/</sup> Includes \$57,384,300 from the Proposition 301 Technology and Research Initiative Fund.

Table 2

## SUMMARY OF CHANGES TO GENERAL FUND BUDGETS (\$)

	<u>FY 2005</u>	<u>Enrollment</u>	<u>Vacant FTE</u>	<u>Travel</u>	<u>Std/Tech</u>	<u>Salary</u>	<u>Health</u>	<u>Retirement</u>	<u>Higher Ed BRB</u>	<u>FY 2006</u>
ABOR	7,611,000	--	--	--	--	28,800	13,500	17,400	1,434,500 <sup>1/</sup>	9,105,200
ASU-M	282,510,500	7,908,600	(662,800)	(377,200)	(191,900)	6,333,600	2,012,400	2,431,700	1,000,000 <sup>2/</sup>	300,964,900
ASU-E	13,040,200	1,864,400	(66,000)	(25,000)	--	353,800	106,500	120,800	--	15,394,700
ASU-W	<u>40,323,100</u>	<u>2,865,500</u>	<u>(412,400)</u>	<u>(64,700)</u>	--	<u>752,200</u>	<u>228,600</u>	<u>339,700</u>	--	<u>44,032,000</u>
Subtotal	335,873,800	12,638,500	(1,141,200)	(466,900)	(191,900)	7,439,600	2,347,500	2,892,200	1,000,000	360,391,600
NAU	117,440,500	656,500	--	(106,100)	--	1,978,100	1,414,700	953,100	--	122,336,800
UA-M	278,843,000	498,700	(476,200)	(212,600)	(166,700)	5,306,200	1,919,200	2,388,500	--	288,100,100
UA-HSC	<u>54,849,100</u>	<u>728,900</u>	<u>(70,000)</u>	<u>(24,300)</u>	--	<u>1,049,600</u>	<u>258,200</u>	<u>417,100</u>	<u>6,000,000</u> <sup>2/</sup>	<u>63,208,600</u>
Subtotal	333,692,100	1,227,600	(546,200)	(236,900)	(166,700)	6,355,800	2,177,400	2,805,600	6,000,000	351,308,700
<b>TOTAL</b>	<b>794,617,400</b>	<b>14,522,600</b>	<b>(1,687,400)</b>	<b>(809,900)</b>	<b>(358,600)</b>	<b>15,802,300</b>	<b>5,953,100</b>	<b>6,668,300</b>	<b>8,434,500</b>	<b>843,142,300</b>

<sup>1/</sup> The amount represents an estimate based on available information. The Higher Education Budget Reconciliation Bill appropriates a total of \$4,000,000 annually, through FY 2010, for APNEDP, then allocates the monies between ABOR and the Department of Commerce based upon the respective numbers of university and community college nursing graduates in FY 2005. ABOR will not have a final count of university nursing graduates until August 2005.

<sup>2/</sup> Of the amounts, the Higher Education Budget Reconciliation Bill provides only half of each on July 1, 2005. The remainders will become available by October 5, 2005, contingent on ABOR submitting for JLBC review, by September 1, 2005, detailed operational and capital plans for the Phoenix Medical Campus.

Table 3

TUITION AND FEES (\$) <sup>1/</sup>

	FY 2005				FY 2006				FY 2005 to FY 2006 Change			
	Resident		Non-Resident		Resident		Non-Resident		Resident		Non-Resident	
	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad
ASU Main	4,062	5,127	12,917	13,647	4,404	5,559	15,093 <sup>2/</sup>	15,823 <sup>2/</sup>	342	432	2,176	2,176
ASU East & West	4,062	5,127	12,917	13,647	4,343	5,558	15,092 <sup>2/</sup>	15,822 <sup>2/</sup>	281	431	2,175	2,175
NAU Flagstaff	4,072	4,272	12,592	12,792	4,393	4,733	13,023	13,381	321	461	431	589
NAU Distance Ed	4,022	4,222	12,542	12,742	4,231	4,652	12,942	13,300	209	430	400	558
UA Main & HSC	4,087	4,337	13,067	13,317	4,487	4,941	13,671	13,921	400	604	604	604
UA South	4,037	4,287	13,017	13,267	4,138	4,888	13,618	13,868	101	601	601	601

<sup>1/</sup> The amounts represent combined full-time tuition for fall and spring semesters, as well as mandatory fees. Undergraduates must take at least 12 credit hours to qualify for full-time status. Graduate full-time status depends upon research and teaching responsibilities. Mandatory fees include AFAT and student recreation charges, but do not include special class or program fees.

<sup>2/</sup> The amounts represent ASU tuition rates for new non-resident students. Continuing students pay \$1,082 less than the amounts displayed.

**Table 4**  
**TUITION REVENUE ALLOCATION (\$)**

<u>Appropriated</u>	<u>FY 2005</u>	<u>FY 2006</u> <sup>1/</sup>
Operating Budget	348,659,000	356,128,800
<u>Non-Appropriated</u>		
Operating Budget	25,267,300	27,400,400
Financial Aid	142,354,300	142,970,900
Plant Fund	6,931,600	9,081,600
Debt Service	<u>61,322,800</u>	<u>63,827,700</u>
<b>Total</b>	<b>584,535,000</b>	<b>599,409,400</b>

<sup>1/</sup> The amounts derive from the universities' FY 2006 budget requests and do not account for the FY 2006 tuition changes displayed in *Table 3*.

**Table 5**

**FY 2003 FINANCIAL AID DISTRIBUTION BY SOURCE**<sup>1/</sup>

	<u>Federal</u>	<u>State</u> <sup>2/</sup>	<u>Institutional</u> <sup>3/</sup>	<u>Private/Other</u>	<u>Total</u>	<u>Undergraduate Recipients</u>	<u>Graduate Recipients</u>
Scholarships	\$ 1,158,492	\$ 82,250	\$ 22,512,940	\$ 44,894,956	\$ 68,648,638	21,585	6,630
Waivers	--	--	60,231,435	--	60,231,435	13,398	4,848
Grants	64,444,696	1,027,670	18,568,442	--	84,040,808	25,668	1,927
Loans	<u>321,913,772</u>	<u>295,335</u>	<u>104,162</u>	<u>16,856,318</u>	<u>339,169,587</u>	<u>34,660</u>	<u>7,788</u>
<b>Total</b>	<b>\$ 387,516,960</b>	<b>\$ 1,405,255</b>	<b>\$ 101,416,979</b>	<b>\$ 61,751,274</b>	<b>\$ 552,090,468</b>	<b>95,311</b>	<b>21,193</b>

<sup>1/</sup> Information provided by ABOR.

<sup>2/</sup> State sources of aid include revenues from the Commission for Postsecondary Education and the Board of Medical Student Loans.

<sup>3/</sup> Institutional sources of aid include revenues from: Local Retention, AFAT, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.