

# Arizona Board of Regents

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DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	27.9	27.9	27.9
Personal Services	1,433,700	1,438,700	1,438,700
Employee Related Expenditures	302,600	354,500	392,500
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>2,135,000</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
University Pay Plan	0	0	0
Western Interstate Commission Office	109,500	103,000	103,000
WICHE Student Subsidies	2,873,100	2,908,100	2,908,100
<b>AGENCY TOTAL</b>	<b>7,537,500</b>	<b>7,611,000</b>	<b>7,611,000</b>

## FUND SOURCES

General Fund	7,537,500	7,611,000	7,611,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>7,537,500</b>	<b>7,611,000</b>	<b>7,611,000</b>
Other Non-Appropriated Funds	54,776,400	62,393,800	62,393,800
Federal Funds	900,800	751,400	716,700
<b>TOTAL - ALL SOURCES</b>	<b>63,214,700</b>	<b>70,756,200</b>	<b>70,721,500</b>

## CHANGE IN FUNDING SUMMARY

	FY 2005 to FY 2006 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non Appropriated Funds	(34,700)	(0.1%)
Total - All Sources	(34,700)	0.0%

**AGENCY DESCRIPTION** — The Arizona Board of Regents (ABOR) board serves as the governing body for the 3 state universities.

PERFORMANCE MEASURES (System-wide)	FY 2003	FY 2004	FY 2005	FY 2006
	Actual	Actual	Estimate	JLBC
• % of graduating seniors who rate their overall university experience as “good”/“excellent”	95	94.5	95	95
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	78	74.1	75	77
• Average number of years taken to graduate for students who began as freshmen	4.7	4.7	4.7	4.7
• % of agency staff turnover	15.6	13.8	15.8	--
• Administration as a % of total cost	1.9	2.0	1.6	--

**Comments:** The percentage of graduating seniors who rate their overall university experience as “good” or “excellent” is based on nearly 8,500 responses. The satisfaction rating given by graduating seniors regarding their university experience remained high in FY 2004, despite the increasing cost of tuition.

## RECOMMENDED CHANGES FROM FY 2005

### **Operating Budget**

The JLBC recommends \$2,135,000 from the General Fund for the operating budget in FY 2006. This amount is unchanged from FY 2005.

### **Special Line Items**

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

The JLBC recommends \$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 authorize the Arizona Board of Regents to establish and administer a loan program for students earning a bachelors degree in deaf and blind education through the University of Arizona College of Education. In FY 2005, ATIP distributed \$50,000 to 10 students, in the form of loans, and \$40,000 to the University of Arizona College of Education to be used as instructional resources relating to deaf and blind education.

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

The JLBC recommends \$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 funding supports a joint initiative between the community colleges and universities to facilitate efficient course transfer articulation and to develop a shared statewide student and financial information database.

#### **Student Financial Assistance**

The JLBC recommends \$2,161,200 from the General Fund for Student Financial Assistance in FY 2006. This amount is unchanged from FY 2005. Monies in this line item are deposited in the Arizona Financial Aid Trust (AFAT) with the intent to match student financial aid surcharge fees collected from university students, pursuant to A.R.S. § 15-1642. AFAT monies provide aid to students with financial need or unique need due to special circumstances (*See Table 3 under Other Issues for Legislative Consideration discussion of Financial Aid Sources. AFAT monies represent a portion of the Institutional Sources amount.*)

#### **University Pay Plan**

In FY 2005, ABOR was appropriated \$16,100,000 for the University Pay Plan. The appropriated amount was equivalent to \$1,000 per university system full-time equivalent (FTE) Position, and was distributed to the universities based on plans developed by the university presidents. University Pay Plan monies were distributed as follows: Arizona State University received \$7,528,000, University of Arizona received \$6,441,900, Northern Arizona University received \$2,098,200 and the ABOR central office received \$31,900. The amounts are included in each university base budget, rather than in ABOR.

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

The JLBC recommends \$103,000 from the General Fund for the Western Interstate Commission Office in FY 2006. This amount is unchanged from FY 2005. Annually, the state is charged a pro rata 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 JLBC recommends \$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. Students choose careers in certain health care professions for which education is not offered within the Arizona University System. These students obtain their health care training at a western state public, or private institution, and receive a subsidy to be used toward tuition. The subsidy is a predetermined amount established by WICHE Commission Office.

Arizona is the largest sending state involved in the WICHE Professional Student Exchange Program. In FY 2004, 157 Arizona students received subsidies through WICHE. Of the 157 students, 25 attended private schools within Arizona. WICHE guidelines require Arizona participants to practice in Arizona 1 year for each year of subsidy received, or repay the state one-half of all funds expended on their behalf, plus interest. Participants also have the option to practice in a medically underserved Arizona community and receive 1 year of state service credit for each 6 months of practice.

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**JLBC RECOMMENDED FORMAT** — Operating Lump Sum with Special Line Items by Agency

#### **JLBC RECOMMENDED FOOTNOTES**

##### *Deletion of Prior Year Footnotes*

The JLBC recommends deleting the one-time footnote on FY 2005 University Pay Plan distribution report to the JLBC. Pay plan monies have been distributed.

## JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends increasing legislative oversight of indirect debt financing. Currently, statute requires review by the Joint Committee on Capital Review for all university projects financed with direct lease-purchase agreements or direct bonding. Statute also allows each state university to incur a projected annual debt service for bonds and lease-purchase agreements of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. Statute does not currently address indirect debt financing, which is neither subject to JCCR review nor counted against the debt ratio.

Indirect debt financing includes instances where a tax-exempt non-profit organization affiliated with a university executes bonds or lease-purchase agreements, as well as instances where a private developer executes bonds or lease-purchase agreements, for capital projects on university land and/or intended to house university activities. Although the state universities do not directly pay debt service for this financing, credit agencies take indirect financing into account when determining a university's credit rating. Credit agencies weigh each finance amount by the executor's involvement with a university. Ties can include universities' leasing land to the executor, mandating use of a project, and guaranteeing debt service payments on behalf of the executor. The JLBC therefore recommends amending statute to legally define indirect debt financing and subject these projects to the 8% debt cap and JCCR review.

## OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

### Revised FTE Student Calculation

The universities have established unique missions as part of ABOR's *Changing Directions Initiative*. In order to facilitate each university's unique mission, and provide additional support for high-cost specialty programs, ABOR has approved a revised formula for calculating full-time equivalent students (FTE) for the purpose of funding future enrollment changes. *Table 1* illustrates existing and approved formula changes.

	<u>Existing</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>
Lower-Division Undergraduate	15	15	12	16
Upper-Division Undergraduate	12	12	12	12
Graduate / Professional	10	10	10	9
Clinical Health & Engineering	n/a	10	10	10

### Tuition Revenue Allocation

*Table 2* shows total revenue collections for the Arizona University System. The universities determine projected expenditures for financial aid, facilities (plant fund), debt service and the operating budget. ABOR is authorized to then allocate a percentage of total collection monies for the appropriated operating budget, while the remaining tuition collection monies are classified as non-appropriated for expenditure by the universities.

<u>Appropriated</u>	<u>FY 2005</u>	<u>FY 2006</u>
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>

### Distribution of Financial Aid

*Table 3* displays the financial aid distribution, the sources of aid, and the quantity of aid recipients for the Arizona University System in FY 2003. The FY 2004 information will be available in the first quarter of 2005. The JLBC has selected University Financial Aid as an area for a Strategic Program Area Review. The review of University Financial Aid would be conducted during the summer of 2005 and attempt to provide a comprehensive review of available financial aid relative to financial aid need.

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

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
<b>Federal</b> (No Fund Number/A.R.S. § 15-1620)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies received from federal grants directed to improving Teacher Quality.		
<b>Purpose of Fund:</b> To enhance teaching skills of K-12 teachers.		
<b>Funds Expended</b>	900,800	751,400
<b>Year-End Fund Balance</b>	34,700	0
<b>Regents Local</b> (ASU Account/A.R.S. § 15-1621)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Contributions from the 3 universities' local funds.		
<b>Purpose of Fund:</b> To supplement the operating budget of the Arizona Board of Regents.		
<b>Funds Expended</b>	493,100	721,500
<b>Year-End Fund Balance</b>	311,100	196,800
<b>Technology and Research Initiative</b> (No Fund Number/A.R.S. § 15-1648)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Monies automatically appropriated to the fund from a 0.6% sales tax. The sales tax and fund were authorized by voters through passage of Proposition 301 in the November 2000 General Election.		
<b>Purpose of Fund:</b> For technology and research (new economy) initiatives. Up to 20% of monies may also be used for capital projects, including debt service, related to new economy initiatives.		
<b>Funds Expended - Operating</b>	43,538,200	49,364,900
<b>Funds Expended - Capital</b>	6,702,400	8,019,400
<b>Year-End Fund Balance</b>	0	0
<b>Arizona Tobacco Litigation Settlement Fund</b> (No Fund Number/A.R.S. § 5-522)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time monies received from the Tobacco Litigation Master Settlement Agreement.		
<b>Purpose of Fund:</b> For the Arizona Health Education System.		
<b>Funds Expended</b>	2,000,000	2,231,400
<b>Year-End Fund Balance</b>	2,231,400	0
<b>University Land</b> (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Agricultural and Mechanical Colleges Land Fund, Military Institutes Land Fund, University Land Fund, and Normal Schools Land Fund.		
<b>Purpose of Fund:</b> Provides funding for University operations within corresponding fields (i.e. Military Institutes Land Fund provides funding for University ROTC programs). Monies from the University Land Fund provide matching funds for eminent scholars funding.		
<b>Funds Expended</b>	2,042,700	2,056,600
<b>Year-End Fund Balance</b>	50,600	0

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