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	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
Full Time Equivalent Positions	6,383.4	6,672.0 ^{1/}	6,838.6 ^{2/}
Personal Services	308,765,800	338,047,300	336,584,700
Employee Related Expenditures	68,092,500	81,398,600	85,424,500
Professional and Outside Services	5,776,500	7,233,100	7,233,100
Travel - In State	117,100	159,000	187,000
Travel - Out of State	2,513,700	73,400	167,100
Other Operating Expenditures	42,968,400	53,224,100	59,507,600
Library Acquisitions	8,332,600	8,829,300	8,829,300
Equipment	12,267,000	13,639,900	14,486,200
OPERATING SUBTOTAL	448,833,600	502,604,700	512,419,500^{3/}
SPECIAL LINE ITEMS			
Biomedical Informatics	0	1,008,500	1,036,800
Downtown Phoenix Campus	465,800	471,400	34,720,800 ^{4/}
Senator Barry Goldwater Papers	0	0	529,000 ^{5/}
AGENCY TOTAL	449,299,400	504,084,600	548,706,100^{6/7/8/9/}
FUND SOURCES			
General Fund	282,510,500	307,911,900	343,963,300 ^{10/}
Other Appropriated Funds			
University Collections Fund	166,788,900	196,172,700	204,742,800 ^{11/12/}
SUBTOTAL - Other Appropriated Funds	166,788,900	196,172,700	204,742,800
SUBTOTAL - Appropriated Funds	449,299,400	504,084,600	548,706,100
Other Non-Appropriated Funds	366,263,800	423,700,900	445,154,100
Federal Funds	129,015,500	141,917,100	156,108,900
TOTAL - ALL SOURCES	944,578,700	1,069,702,600	1,149,969,100

1/ The amounts include 357.5 FTE Positions and their associated funding above the appropriated FY 2006 amounts. A footnote in the FY 2006 General Appropriation Act appropriates any tuition collections receipts above the original amount to the university. (See footnote #12)

2/ Includes 489.1 FTE Positions funded from Special Line Items in FY 2007.

3/ Laws 2006, Chapter 350 appropriation of \$500,000.

4/ University budget requests shall provide as much detail for the Downtown Phoenix Campus as for any other budget program. Notwithstanding A.R.S. § 35-173C, any proposed transfer to or from the amounts appropriated for the Downtown Phoenix Campus line item shall require prior review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

5/ The \$529,000 appropriated for Senator Barry Goldwater Papers shall be distributed to the Arizona Historical Foundation for the preservation of the papers of Senator Barry Goldwater. Before expenditure of these monies, Arizona State University shall provide the Arizona Historical Foundation's expenditure plans to the Joint Legislative Budget Committee. (General Appropriation Act footnote)

6/ The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

7/ The appropriated monies are not to be used to support any student newspaper. (General Appropriation Act footnote)

8/ The appropriated monies shall not be used by the Arizona State University College of Law Legal Clinic for any lawsuits involving inmates of the State Department of Corrections in which the state is the adverse party. (General Appropriation Act footnote)

9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

10/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

11/ Arizona State University may develop a 4-year pilot program for an optional flat rate tuition for incoming undergraduate students beginning in academic year 2007-2008 and provide a report on the pilot program to the Joint Legislative Budget Committee by December 1, 2006 and December 1, 2012. (General Appropriation Act footnote)

12/ Any unencumbered balances remaining in the collections account on June 30, 2006 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

AGENCY DESCRIPTION — Established in 1885, Arizona State University (ASU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, ASU offers more than 240 degree-programs to over 51,000 full- and part-time students in 12 colleges and schools at its Main Campus in Tempe. ASU also has an expanding Downtown Phoenix Campus that is budgeted as a unit of the Main Campus.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> % of graduating seniors who rate their overall university experience as “good”/“excellent” <p>Comments: The percentage of graduating seniors rating their overall university experience as “excellent” was 27% in FY 2003, 30% in FY 2004, and 31% in FY 2005. By gathering the impressions of only graduating seniors, this measure overlooks the potentially negative opinions of students who chose to transfer or who otherwise left the university.</p>	94	94	94	95
<ul style="list-style-type: none"> % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty <p>Comments: Ranked faculty includes all instructors with the exception of unpaid volunteers and graduate students. Therefore, this measure does not address undergraduate student contact with professors.</p>	73	72	70	72
<ul style="list-style-type: none"> % of full-time undergraduate students enrolled per semester in 3 or more primary courses with professors of any rank <p>Comments: The budget provides a new performance measure to specifically ascertain undergraduate student contact with professors. Professors of some rank taught 46% of all undergraduate primary class sections at ASU in FY 2005, compared to 47% nationally in FY 2004.</p>	--	--	--	60
<ul style="list-style-type: none"> Average number of years taken to graduate for students who began as freshmen <p>Comments: To reduce freshmen’s average number of years to graduation, ASU is adding class sections and reducing section sizes, especially for first-year English and mathematics classes, as well as increasing student advising, library, and financial aid resources.</p>	4.7	4.7	4.7	4.6
<ul style="list-style-type: none"> External dollars for research and creative activity (\$ in millions) 	122	142	156	180

Operating Budget

The budget provides \$512,419,500 for the operating budget in FY 2007. This amount consists of:

	FY 2007
General Fund	\$322,854,100
University Collections Fund	189,565,400

These amounts include an increase of \$20,260,200 from the General Fund for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

The budget also includes the following adjustments:

Enrollment Growth

The budget provides an increase of \$20,026,400 and 152.7 FTE Positions in FY 2007 for enrollment growth. These amounts consist of:

General Fund	12,486,800
University Collections Fund	7,539,600

These amounts finance projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Projected formula enrollment is growing by 1,712 full-time equivalent (FTE) students, to 47,583 FTE students (including Downtown Phoenix Campus students) in FY 2007.

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of 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

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years.

The third calculation, which also does not appear in statute, historically has added or subtracted 1 faculty and 0.5 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. In FY 2007 however, the budget provides approximate increases of 1 faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change.

Since enrollment growth also contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues.

Over 155 Credit Hour Reduction

The budget provides a decrease of \$(952,000) and (12.1) FTE Positions from the General Fund in FY 2007 to eliminate funding for ASU-Main students with over 155 credit hours.

A.R.S. § 15-1661, as amended by the Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352), prohibits funding state university students who have earned credit hours in excess of a credit hour threshold, with certain exceptions. Meanwhile A.R.S. § 15-1626 allows ABOR to raise tuition rates for those students.

In FY 2007, the credit hour threshold is 155 credit hours. This threshold declines to 150 hours in FY 2008 and 145 hours thereafter. Within the new guidelines of Chapter 352, ASU reports 112 FTE students over the credit hour threshold at the Main Campus.

Water Research

The State Government Budget Reconciliation Bill (Laws 2006, Chapter 350) provides a one-time increase of \$500,000 and 5 FTE Positions from the General Fund in FY 2007 to research state water issues.

In total, Chapter 350 provides \$1,500,000 and 15 FTE Positions from the General Fund in FY 2007, divided evenly between the 3 universities, for one-time expenditures to collaboratively improve water policy and management in the state. ASU will research urban water issues, while Northern Arizona University will research water issues in the Upper Verde watershed and University of Arizona will research water issues from the perspective of earth and environmental sciences.

New Downtown Phoenix Departments

The budget provides a decrease of \$(30,019,800) and (455) FTE Positions in FY 2007 to transfer funding for academic departments moving to the Downtown Phoenix Campus, a new Special Line Item. These amounts consist of:

General Fund	(15,872,900)
University Collections Fund	(14,146,900)

This transfer accounts for the College of Public Programs and departments from the College of Nursing, University College, and the School of Global Health, which will move downtown in FY 2007. (See *Downtown Phoenix Campus Special Line Item* below.)

Special Line Items

Biomedical Informatics

The budget provides \$1,036,800 and 6.8 FTE Positions from the General Fund for the Biomedical Informatics Department in FY 2007. These amounts include an increase of \$28,300 from the General Fund for statewide adjustments.

This multidisciplinary department incorporates computer science, biology, and engineering to organize and analyze medical data. The department is closely integrated with the University of Arizona Phoenix Medical Campus. (For more information on this campus, please see the *University of Arizona – Health Sciences Center* section.)

Downtown Phoenix Campus

The budget provides \$34,720,800 and 482.3 FTE Positions for the Downtown Phoenix Campus in FY 2007. These amounts consist of:

General Fund	19,543,400
University Collections Fund	15,177,400

These amounts include an increase of \$1,492,400 from the General Fund for statewide adjustments.

The budget also includes the following adjustments:

Enrollment Growth

The budget provides an increase of \$2,737,200 and 21 FTE Positions in FY 2007 for enrollment growth. These amounts consist of:

General Fund	1,706,700
University Collections Fund	1,030,500

These amounts finance projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Projected formula enrollment at the downtown campus is growing by 234 FTE students in FY 2007. This growth does not include existing ASU students moving downtown along with their departments.

New Downtown Phoenix Departments

The budget provides an increase of \$30,019,800 and 455 FTE Positions in FY 2007 to transfer funding from the

operating budget for academic departments moving to the Downtown Phoenix Campus. These amounts consist of:

General Fund	15,872,900
University Collections Fund	14,146,900

This transfer accounts for the College of Public Programs and departments from the College of Nursing, University College, and the School of Global Health, which will move downtown in FY 2007.

ASU first offered classes in downtown Phoenix in 1986, at the site of the former Phoenix Union High School. (That facility is now under renovation to house the Phoenix Medical Campus.) In 1990, ASU relocated those classes across the street to a 160,000 square-foot, 4.5 acre facility known as the Mercado. At that location, ASU currently offers courses in business, public administration, nursing, and education.

Meanwhile, ASU and the City of Phoenix plan a larger Downtown Phoenix Campus, encompassing 2 million square feet on 15 acres, roughly bordered by Fillmore, Van Buren, and 3rd Streets, as well as 1st Avenue, in downtown Phoenix. This location will place the facility 2 city blocks from the Phoenix Medical Campus. A City of Phoenix bond election in March 2006 approved \$188 million to acquire (through purchase or condemnation) the necessary land, renovate 300,000 square feet of existing facilities, and construct up to 400,000 square feet of new facilities.

An estimate of ASU fiscal responsibilities for the downtown campus totals roughly \$50 million annually. These obligations will include lease-purchase payments for the facility; all operations, utilities, maintenance, facilities security, building renewal, and non-capital equipment costs; a portion of interest charges for projects already underway; the construction and operation of student housing and parking facilities; and a Civic Center usage fee. Additionally, ASU will transfer without cost its ownership of the Mercado to the City of Phoenix.

The first phase of the Downtown Phoenix Campus will begin in fall 2006. The College of Public Programs will move to the campus and the College of Nursing, University College, and the School of Global Health will offer classes there. By the end of the first phase, ASU expects to serve 2,500 students downtown, including housing 250 of them, in 300,000 square feet.

The ASU plan envisions the second phase, beginning in fall 2008, when the Walter Cronkite School of Journalism and Mass Communication and KAET-TV/Channel 8, the Phoenix Public Broadcasting Station, would move to the campus. By 2011, ASU expects to serve 7,500 students downtown, including housing 1,800 of them, in around 800,000 square feet.

ASU hopes to complete the development of the downtown campus by 2020, at which time the program would accommodate 15,000 students and 1,800 faculty and staff, including housing for 4,000 students.

To maintain oversight of the Downtown Phoenix Campus, the budget provides a new footnote requiring detailed budget requests for the campus and calling for JLBC review of any transfers in or out of the line item. Additionally, the Higher Education Budget Reconciliation Bill requires ABOR to submit for JLBC review, by October 1, 2006, detailed operational and capital plans for the campus.

Senator Barry Goldwater Papers

The budget provides a one-time increase of \$529,000 from the General Fund in FY 2007 to allow the Arizona Historical Foundation (AHF) to process, catalogue, and preserve the personal and political files of the late Senator Barry Goldwater. AHF, a non-profit archive housed in the Main Campus' Hayden Library, possesses 1,200 boxes of various media.

The budget includes a footnote directing ASU to distribute the appropriation to AHF. Additionally, before AHF can spend the monies, the footnote requires ASU to provide the AHF expenditure plan to JLBC.

Additional Legislation

Optional Flat Rate Tuition Pilot Program Footnote

The General Appropriation Act provides a new footnote allowing ASU to develop a 4-year pilot program for an optional flat rate tuition for incoming undergraduate students beginning in academic year 2007-2008. If ASU chooses to implement the pilot, the footnote requires the university to report on the program to JLBC by December 1, 2006 and December 1, 2012.

Higher Education Budget Reconciliation Bill

The Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) includes several provisions affecting the state universities beyond the changes discussed in the *Downtown Phoenix Campus* Special Line Item above. For further explanation of this act, please see *Additional Legislation* in the *Arizona Board of Regents* section.