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	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
Full Time Equivalent Positions	5,589.1	5,589.1 ^{1/}	5,591.7 ^{2/}
Personal Services	227,755,000	240,266,100	249,796,600
Employee Related Expenditures	58,271,300	58,709,600	64,881,500
Professional and Outside Services	2,659,700	2,664,000	2,664,000
Travel - In State	176,400	255,200	299,100
Travel - Out of State	825,400	293,700	292,000
Other Operating Expenditures	31,728,100	33,841,400	34,103,100
Library Acquisitions	8,233,400	8,128,700	8,128,700
Equipment	2,359,900	3,603,200	3,662,800
OPERATING SUBTOTAL	332,009,200	347,761,900	363,827,800^{3/}
SPECIAL LINE ITEMS			
Agriculture	49,046,700 ^{4/}	49,923,800 ^{4/}	42,060,300
Arizona Cooperative Extension	0 ^{4/}	0 ^{4/}	12,069,300
Sierra Vista Campus	3,784,100	4,230,800	5,643,800 ^{5/}
AGENCY TOTAL	384,840,000	401,916,500	423,601,200^{6/7/8/}
FUND SOURCES			
General Fund	278,843,000	293,785,200	315,223,100 ^{9/}
<u>Other Appropriated Funds</u>			
University Collections Fund	105,997,000	108,131,300	108,378,100 ^{10/}
SUBTOTAL - Other Appropriated Funds	105,997,000	108,131,300	108,378,100
SUBTOTAL - Appropriated Funds	384,840,000	401,916,500	423,601,200
Other Non-Appropriated Funds	494,789,300	504,400,700	510,685,600
Federal Funds	236,792,000	243,796,100	251,110,100
TOTAL - ALL SOURCES	1,116,421,300	1,150,113,300	1,185,396,900

AGENCY DESCRIPTION — Established in 1885, the University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, UA offers over 380 degree-programs to approximately 37,000 full- and part-time students in 29 colleges and schools at its Main Campus in Tucson. Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today. UA South is a satellite campus of the university in Sierra Vista.

1/ The amounts include 114.2 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 #10)

2/ Includes 845.9 FTE Positions funded from Special Line Items in FY 2007.

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

4/ The Agriculture Special Line Item includes appropriations for the Arizona Cooperative Extension through FY 2006.

5/ The Sierra Vista Campus Special Line Item includes \$1,200,000 to replace previously reallocated funds. (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/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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

10/ 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)

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” Comments: The percentage of graduating seniors rating their overall university experience as “excellent” was 34% in FY 2003 and 35% in both FY 2004 and 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. 	95	94	95	96
<ul style="list-style-type: none"> • % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty 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. 	80	78	75	80
<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 Comments: The budget provides a new performance measure to specifically ascertain undergraduate student contact with professors. Professors of some rank taught 52% of all undergraduate primary class sections at UA in FY 2005, compared to 47% nationally in FY 2004. 	--	--	--	60
<ul style="list-style-type: none"> • Average number of years taken to graduate for students who began as freshmen Comments: To reduce freshmen’s average number of years to graduation, UA is expanding its academic advising services and standardizing its general education requirements. 	4.6	4.7	4.7	4.6

Operating Budget

The budget provides \$363,827,800 for the operating budget in FY 2007. This amount consists of:

	<u>FY 2007</u>
General Fund	\$265,591,500
University Collections Fund	98,236,300

These amounts include an increase of \$15,487,900 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 \$658,500 and 5 FTE Positions in FY 2007 for enrollment growth. These amounts consist of:

General Fund	411,700
University Collections Fund	246,800

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 55 full-time equivalent (FTE) students, to 32,490 FTE 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 \$(580,500) and (7.4) FTE Positions from the General Fund in FY 2007 to eliminate funding for UA-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, UA reports 42 FTE students over the credit hour threshold.

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. UA will research water issues from the perspective of earth and environmental sciences, while Arizona State University will research urban water issues and Northern Arizona University will research water issues in the Upper Verde watershed.

Special Line Items

Agriculture

The budget provides \$42,060,300 and 756.5 FTE Positions for Agriculture programs in FY 2007. These amounts consist of:

General Fund	33,751,000
University Collections Fund	8,309,300

These amounts include an increase of \$2,320,600 from the General Fund for statewide adjustments.

Cooperative Extension Separation

The budget provides a decrease of \$(10,184,100) and (34) FTE Positions from the General Fund in FY 2007 to transfer funding for the Arizona Cooperative Extension to a new Special Line Item. The Agriculture Special Line Item included monies for the Arizona Cooperative Extension through FY 2006. (See *Arizona Cooperative Extension Special Line Item below.*)

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources; Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The budget provides \$12,069,300 and 34 FTE Positions from the General Fund for the Arizona Cooperative Extension in FY 2007. These amounts include an increase of \$385,200 from the General Fund for statewide adjustments.

The budget also includes the following adjustments:

Cooperative Extension Separation

The budget provides an increase of \$10,184,100 and 34 FTE Positions from the General Fund in FY 2007 to transfer funding for the Arizona Cooperative Extension to a new Special Line Item. The Agriculture Special Line Item included monies for the Arizona Cooperative Extension through FY 2006. (See *Agriculture Special Line Item above.*)

Program Expansion

The budget provides an increase of \$1,500,000 from the General Fund in FY 2007 to expand agricultural centers and county extension offices in various state locations.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Sierra Vista Campus

The budget provides \$5,643,800 and 55.4 FTE Positions for the Sierra Vista Campus in FY 2007. These amounts consist of:

General Fund	3,811,300
University Collections Fund	1,832,500

These amounts include an increase of \$213,000 from the General Fund for statewide adjustments.

Program Expansion

The budget provides a one-time increase of \$1,200,000 from the General Fund in FY 2007 to expand upper-division class offerings at community college sites in Sierra Vista, Douglas, Graham County, and outlying areas in Pima County.

UA South offers upper-division undergraduate programs in 13 disciplines for community college transfer students. The satellite campus also offers 2 certificate and 2 master's programs. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

Additional Legislation

Higher Education Budget Reconciliation Bill

The Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) includes several provisions affecting the state universities. For further explanation of this act, please see *Additional Legislation* in the *Arizona Board of Regents* section.