

Arizona Board of Regents

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DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	27.9	27.9	27.9
Personal Services	1,460,000	1,500,400	1,500,400
Employee Related Expenditures	317,100	418,200	418,200
Professional and Outside Services	63,400	63,400	63,400
Travel - In State	200	0	0
Other Operating Expenditures	292,600	212,700	212,700
OPERATING SUBTOTAL	2,133,300	2,194,700	2,194,700
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Nursing Education	0	1,434,500	1,434,500
Student Financial Assistance	2,161,200	2,161,200	2,161,200
Western Interstate Commission Office	105,000	108,000	112,000
WICHE Student Subsidies	2,871,100	2,903,100	3,570,700
AGENCY TOTAL	7,574,300	9,105,200	9,776,800
FUND SOURCES			
General Fund	7,574,300	9,105,200	9,776,800
SUBTOTAL - Appropriated Funds	7,574,300	9,105,200	9,776,800
Other Non-Appropriated Funds	6,376,300	5,804,300	4,266,700
Federal Funds	828,300	1,154,900	629,500
TOTAL - ALL SOURCES	14,778,900	16,064,400	14,673,000

CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	671,600	7.4%
Total Appropriated Funds	671,600	7.4%
Non Appropriated Funds	(2,063,000)	(29.6%)
Total - All Sources	(1,391,400)	(8.7%)

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.

PERFORMANCE MEASURES (Systemwide)	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	JLBC
<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 who rate their overall university experience as “good” or “excellent” derives from over 8,800 responses. 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 universities.</p>	95	95	95	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>	78	74	74	77
<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 (NEW) <p>Comments: The JLBC recommends a new performance measure to specifically ascertain undergraduate student contact with professors. Professors of some rank taught 51% of all undergraduate primary class sections 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, the universities are employing various strategies including adding class sections, reducing section sizes, increasing student advising, library, and financial aid resources, and standardizing general education requirements.</p>	4.7	4.7	4.7	4.7

RECOMMENDED CHANGES FROM FY 2006

Operating Budget

The JLBC recommends \$2,194,700 from the General Fund for the operating budget in FY 2007. This amount is unchanged from FY 2006.

Special Line Items

Arizona Teachers Incentive Program

The JLBC recommends \$90,000 from the General Fund for the Arizona Teachers Incentive Program (ATIP) in FY 2007. This amount is unchanged from FY 2006.

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 for their loans by teaching in an Arizona deaf and blind program for a time equal to their period of loan support. In FY 2006, 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 JLBC recommends \$213,700 from the General Fund for the Arizona Transfer Articulation Support System (ATASS) in FY 2007. This amount is unchanged from FY 2006.

A.R.S. § 15-1824 establishes ATASS as a joint initiative, among the public community colleges and universities, to facilitate efficient transfer of course curricula and credits. ATASS is also developing a shared statewide student and financial information database. The community college districts overall contributed \$190,000 to the system in FY 2005, as well as \$226,100 in FY 2006. Their projected contribution for FY 2007 is \$239,900.

Nursing Education

The JLBC recommends \$1,434,500 from the General Fund for the Arizona Partnership for Nursing Education Demonstration Project (APNEDP) in FY 2007. This amount is unchanged from FY 2006. These monies will not appear in the FY 2007 General Appropriation Act because Laws 2005, Chapter 330, Section 16 appropriated them in advance.

The recommended amount is the same estimate, based upon preliminary nursing graduation information, used in the FY 2006 Appropriations Report. The final allocation awaits university and community college agreement on FY 2005 nursing graduate numbers.

Chapter 330 established 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 session law directs the state’s higher education institutions to use this funding for additional qualified nursing faculty hires and

for teaching resources in nursing degree programs, but not for capital expenses.

Chapter 330 advance appropriated a total of \$4 million annually through FY 2010 for APNEDP. The session law allocated 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 directed ABOR and the Department of Commerce to distribute their shares of the appropriation among the state universities and community colleges, respectively.

Student Financial Assistance

The JLBC recommends \$2,161,200 from the General Fund for Student Financial Assistance in FY 2007. This amount is unchanged from FY 2006.

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). The FY 2005 appropriation for Student Financial Assistance matched each student dollar with 47.6 cents.

The AFAT fee is 1% of the full-time resident undergraduate tuition rate, or around \$42 in FY 2006. All students pay roughly the same fee, except part-time students, who pay half the regular fee.

AFAT retains half of all annual receipts as a permanent financial aid endowment. ABOR distributes the remaining monies, proportionally to each university's respective contribution, to provide immediate assistance for 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 2004 financial aid distributions from all sources.)

Western Interstate Commission Office

The JLBC recommends \$112,000 from the General Fund for the Western Interstate Commission Office in FY 2007.

This amount includes the following adjustment:

	FY 2007
Fee Increase	GF \$4,000

The JLBC recommends an increase of \$4,000 from the General Fund in FY 2007 to support an administrative fee increase. Unfunded fee increases reduce the number of student subsidies that ABOR can provide.

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. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The JLBC recommends \$3,570,700 from the General Fund for WICHE Student Subsidies in FY 2007.

This amount includes the following adjustment:

Student Subsidy Increase	GF 667,600
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The JLBC recommends an increase of \$667,600 from the General Fund in FY 2007 to subsidize 32 additional students in the WICHE program, bringing the total number of subsidized students to 183. Depending on the program of study, WICHE subsidy amounts will range between \$9,400 and \$26,500 in FY 2007, reflecting increases between \$200 and \$1,900.

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.

The recommended amount would fairly evenly increase the number of subsidies available in all programs. However, the number of occupational therapy subsidies would not increase.

Demand for WICHE subsidies naturally grows with the state's population. Meanwhile, flat funding combined with tuition increases have led the total number of available WICHE positions to decline. In FY 2006, the board is able to provide subsidies to 151 Arizona students, compared to 158 in FY 2005 and 179 in FY 2002.

Among WICHE states, Arizona exports the most students. Of the 151 FY 2006 participants, 111 attend out-of-state schools, while 38 attend private institutions within Arizona.

Participating students receive admissions preference and subsidized tuition. 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.

The WICHE central office determines subsidy amounts for each program through negotiations with participating institutions. As rough guidance, WICHE subsidies are intended to cover the difference between resident and non-resident tuition at a public university or approximately half the private university tuition rate.

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

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

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 ESTIMATED amounts ~~estimated in the original FY 2007 FROM THE UNIVERSITY budget requestS SUBMITTED IN THE PREVIOUS YEAR. THE ADDITIONAL REVENUE EXPENDITURE PLAN SHALL PROVIDE AS MUCH DETAIL AS THE UNIVERSITY BUDGET REQUESTS.~~ *(The recommended changes provide the universities with greater clarity on the expected contents of these required expenditure plans for additional tuition revenue.)*

JLBC RECOMMENDED STATUTORY CHANGES

Indirect Debt Financing

The JLBC recommends increasing legislative oversight of indirect debt financing. Currently, A.R.S. § 15-1682.01 and § 15-1683 require review by the Joint Committee on Capital Review (JCCR) of all university projects financed with direct lease-purchase agreements or direct bonding, respectively. A.R.S. § 41-793 also requires ABOR to annually submit capital improvement plans to the Governor. Statute does not currently address indirect debt financing, which is neither subject to JCCR review nor included in the ABOR capital improvement plans.

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 financed 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 require JCCR review of indirect debt financing and to mandate inclusion of such projects in ABOR capital improvement plans.

Enrollment Counting Day

The JLBC recommends continuing the enrollment counting day report required by Laws 2005, Chapter 330, Section 12, Paragraph B. ABOR should report to JLBC and the Governor's Office of Strategic Planning and Budgeting, on December 1, 2006 and April 15, 2007, concerning full-time equivalent (FTE) student enrollment as of the 21st and 45th days of the fall 2006 and spring 2007 semesters, respectively, at each university. JLBC Staff believes an additional year of data would prove useful in reaching a policy conclusion on this issue.

In its December 1, 2005 report on the fall 2005 semester, ABOR stated that, throughout the Arizona University System, enrollment dropped by (1,802) FTE students, or 1.7%, between the 21st day and the 45th day. If the part-statutory, part-conventional student enrollment funding formula used by JLBC Staff were applied to the lower, 45th day enrollment counts, General Fund support for the university system as a whole would decline by \$(9.7) million dollars, or (1.1)% of the FY 2006 General Fund appropriation.

University System Summary Tables

Table 1 and *Table 2* summarize the FY 2007 JLBC recommendation for the Arizona University System. *Table 3* shows tuition and fee changes for FY 2006. Each March, ABOR sets tuition rates for the following academic year.

Table 4 displays total tuition collections for the Arizona University System, an estimated \$678 million in FY 2006. Since the FY 2007 amounts derive from the universities' FY 2007 budget requests, they may grow with any tuition rate increase.

The universities annually 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 2006, ABOR allocated approximately \$390 million to appropriated operating budgets and \$288 million to non-appropriated funds.

Table 5 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2004. Of \$807 million total financial aid distributions in FY 2004, the state appropriated \$1.2 million and university institutional sources provided \$285 million. FY 2005 financial aid statistics will become available in February 2006.

Table 1

FY 2007 Summary of JLBC Recommendation

	Enrollment (FTE) ^{1/}	Appropriated Funds			Non-Appropriated Funds		Total
		General Fund	Collections Fund	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR		\$ 9,776,800	\$ 0	\$ 0	\$ 629,500	\$ 4,266,700	\$ 14,673,000
ASU-Main	46,897	307,682,900	204,742,800	0	156,108,900	445,154,100	1,113,688,700
ASU-East	2,931	17,199,100	14,620,400	2,000,000	3,523,200	8,226,300	45,569,000
ASU-West	6,264	44,935,700	19,337,600	1,600,000	2,476,800	12,173,000	80,523,100
NAU	16,576	121,593,000	39,544,000	0	48,384,600	118,421,800	327,943,400
UA-Main	31,998	285,765,300	108,378,100	0	251,110,100	510,685,600	1,155,939,100
UA-Health Sciences	1,649	63,422,700	15,513,600	0	113,290,100	76,474,700	268,701,100
Total	106,315	\$ 850,375,500	\$ 402,136,500	\$ 3,600,000	\$ 575,523,200	\$ 1,175,402,200	\$ 3,007,037,400

^{1/} Enrollment here represents student populations as calculated by the part-statutory, part-conventional student enrollment funding formula, less FY 2006 students who have earned credit hours in excess of the 155 credit hour threshold.

Table 2

Summary of Recommended Changes to General Fund Budgets

	FY 2006	Enrollment Growth	Over 155 Credit Hour Reduction	Policy Issues	FY 2007
ABOR	\$ 9,105,200	--	--	\$ 671,600	\$ 9,776,800
ASU-M	300,964,900	\$10,375,800	\$(3,657,800)	--	307,682,900
ASU-E	15,394,700	2,039,300	(234,900)	--	17,199,100
ASU-W	<u>44,032,000</u>	<u>1,089,800</u>	<u>(186,100)</u>	--	<u>44,935,700</u>
Subtotal	360,391,600	13,504,900	(4,078,800)	--	369,817,700
NAU	122,336,800	--	(743,800)	--	121,593,000
UA-M	288,100,100	294,000	(2,628,800)	--	285,765,300
UA-HSC	<u>63,208,600</u>	<u>728,100</u>	<u>(514,000)</u>	--	<u>63,422,700</u>
Subtotal	351,308,700	1,022,100	(3,142,800)	--	349,188,000
Total	\$843,142,300	\$14,527,000	\$(7,965,400)	\$671,600	\$850,375,500

Table 3

Tuition and Fees (\$) ^{1/}

	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 ^{2/}	15,823 ^{2/}	342	432	2,176 ^{2/}	2,176 ^{2/}
ASU East & West	4,062	5,127	12,917	13,647	4,343	5,558	15,092 ^{2/}	15,822 ^{2/}	281	431	2,175 ^{2/}	2,175 ^{2/}
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

^{1/} 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.

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

	FY 2005 Actual	FY 2006 Estimate	FY 2007 JLBC^{1/}
<u>Appropriated</u>			
Operating Budget	\$355,117,600	\$390,160,100	\$402,136,500
<u>Non-Appropriated</u>			
Operating Budget	25,029,900	27,763,300	31,114,300
Financial Aid	163,717,600	182,867,500	183,067,800
Plant Fund	11,577,300	7,959,800	12,859,800
Debt Service	<u>61,484,800</u>	<u>68,931,700</u>	<u>71,729,100</u>
Total	\$616,927,200	\$677,682,400	\$700,907,500

^{1/} The source for these non-appropriated amounts is the universities' FY 2007 budget requests. The amounts do not account for any contemplated FY 2007 tuition changes.

	Federal	State^{2/}	Institutional^{3/}	Private/Other	Total
Grants	\$ 66,843.5	\$ 968.7	\$152,715.8	\$56,438.1	\$276,966.1
Loans	369,347.1	203.4	0.0	22,915.0	392,465.5
Employment	<u>5,383.9</u>	<u>0.0</u>	<u>131,847.6</u>	<u>0.0</u>	<u>137,231.5</u>
Total	\$441,574.5	\$1,172.1	\$284,563.4	\$79,353.1	\$806,663.1

^{1/} Information provided by ABOR.
^{2/} State sources of aid include revenues from the Commission for Postsecondary Education and the Board of Medical Student Loans.
^{3/} 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.

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Federal Fund (BRA2000/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Grants from the United States Department of Education.		
Purpose of Fund: To support pre-service, retraining, and in-service educational programs improving the instructional and management skills of K-12 and vocational school teachers and administrators, with an emphasis on core subjects.		
Funds Expended	828,300	1,154,900
Year-End Fund Balance	525,400	0
Nursing Education Demonstration Project Fund (No Fund Number/Laws 2005, Chapter 330)		Non-Appropriated
Source of Revenue: General Fund deposits of a proportional share of \$4 million annually, according to the number of nursing students who graduated from the Arizona University System in FY 2005, as compared to the number of nursing students who graduated from the Arizona Community College System in FY 2005. The FY 2006 Appropriations Report estimated, based upon preliminary nursing graduation information, an annual distribution of \$1,434,500 to ABOR for the universities and \$2,565,500 to the Department of Commerce for the community colleges. The final allocation awaits university and community college agreement on FY 2005 nursing graduate numbers.		
Purpose of Fund: To hire additional qualified nursing faculty and purchase teaching resources in nursing degree programs, towards 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 ABOR General Fund reflects all expenditures.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Regents Local Fund (No Fund Number/A.R.S. § 15-1626)		Non-Appropriated
Source of Revenue: Contributions of retained tuition from the 3 universities.		
Purpose of Fund: To supplement the ABOR operating budget.		
Funds Expended	703,600	623,900
Year-End Fund Balance	144,300	188,300
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: Automatic appropriations of a portion of a 0.6% sales tax, as authorized by voters through Proposition 301 in the November 2000 General Election and as governed by statute. Total receipts were \$55,992,300 in FY 2005 and are estimated to be \$55,322,900 in FY 2006 and \$58,195,400 in FY 2007.		
Purpose of Fund: To provide grants for university technology and research initiatives, with preference given to federal or private partnerships, as well as to programs for non-traditional students; also, for up to 20% of fund monies, to support capital projects, including debt service, relating to technology and research. The displayed expenditures represent only that portion of tax receipts utilized by ABOR. The board transfers all other receipts to university Restricted Funds, which reflect those monies.		
Funds Expended	3,235,800	2,474,000
Year-End Fund Balance	6,004,300	0
Tobacco Litigation Settlement Fund (No Fund Number/A.R.S. § 5-522)		Non-Appropriated
Source of Revenue: One-time monies received from the multi-state Tobacco Litigation Master Settlement Agreement of 1998.		
Purpose of Fund: To provide funding for the 5 Arizona Area Health Education Centers, which work to improve healthcare access for rural and underserved communities.		
Funds Expended	821,100	871,800
Year-End Fund Balance	1,332,500	460,700
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
Source of Revenue: Monies derived from the lease, sale, or other disposition of lands granted to the state by the United States for the use and benefit of the universities. Land funds are allocated for Agricultural and Mechanical Colleges, Military Institutes, Universities, and Normal Schools, respectively. Total land earnings were \$2,348,100 in FY 2005 and are estimated to be \$2,256,000 in both FY 2006 and FY 2007.		
Purpose of Fund: To operate agricultural and mechanical colleges, to support university Reserve Officers' Training Corps programs, to match private funds attracting distinguished faculty, and to operate teacher training programs, respectively. The displayed expenditures represent only that portion of trust land earnings transferred to university endowments to support outstanding faculty. ABOR transfers all other trust land earnings to University Collections Funds, which reflect those monies.		
Funds Expended	1,615,800	1,834,600
Year-End Fund Balance	159,600	0