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	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
OPERATING BUDGET			
Full Time Equivalent Positions	6,672.0	6,838.6	7,106.6 ^{1/}
Personal Services	312,973,100	336,715,800	354,173,000
Employee Related Expenditures	74,712,000	80,143,200	86,514,000
Professional and Outside Services	11,574,900	16,661,200	16,540,800
Travel - In State	116,800	145,500	199,500
Travel - Out of State	2,417,300	151,300	212,900
Other Operating Expenditures	46,806,400	63,830,300	70,959,000
Library Acquisitions	9,097,000	9,229,300	9,229,300
Equipment	12,494,500	17,646,000	18,204,000
OPERATING SUBTOTAL	470,192,000	524,522,600	556,032,500
SPECIAL LINE ITEMS			
Biomedical Informatics	1,004,700	1,017,800	3,051,800
Downtown Phoenix Campus	32,309,300	45,818,900	48,816,000 ^{2/}
Phoenix Biomedical Campus Schematic Design	0	0	5,250,000 ^{3/4/}
Research Infrastructure Lease-Purchase Payment	0	0	13,555,000 ^{5/}
Senator Barry Goldwater Papers	0	529,000	0
Student and Faculty Retention	0	0	15,064,000
AGENCY TOTAL	503,506,000	571,888,300	641,769,300 ^{6/7/8/9/}
FUND SOURCES			
General Fund	307,911,900	354,043,300	416,764,800 ^{10/}
<u>Other Appropriated Funds</u>			
University Collections Fund	195,594,100	217,845,000	225,004,500 ^{11/}
SUBTOTAL - Other Appropriated Funds	195,594,100	217,845,000	225,004,500
SUBTOTAL - Appropriated Funds	503,506,000	571,888,300	641,769,300
Other Non-Appropriated Funds	408,640,500	451,107,900	476,327,400
Federal Funds	139,715,000	149,525,300	161,861,100
TOTAL - ALL SOURCES	1,051,861,500	1,172,521,500	1,279,957,800

1/ Includes 768.6 FTE Positions funded from Special Line Items in FY 2008.

2/ 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)

3/ Arizona State University and the University of Arizona shall jointly submit an expenditure plan before expenditure of the amounts appropriated for the Phoenix Biomedical Campus Schematic Design to the Joint Committee on Capital Review. (General Appropriation Act footnote)

4/ Arizona State University and the University of Arizona shall jointly submit the scope, purpose and estimated cost of the Phoenix Biomedical Campus to the Joint Committee on Capital Review for its review after schematic design is complete. (General Appropriation Act footnote)

5/ Includes \$13,555,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.

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/ Any unencumbered balances remaining in the collections account on June 30, 2007 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 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 51,600 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 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	Approved
• % of graduating seniors who rate their overall university experience as “good”/“excellent”	94	94	95	95
• % 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.	72	70	68	72
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with professors of any rank Comments: Professors of some rank taught 46% of all undergraduate primary class sections at ASU in FY 2005, compared to 47% nationally in FY 2004.	--	--	35	40
• Average number of years taken to graduate for students who began as freshmen 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.	4.7	4.7	4.7	4.6
• External dollars for research and creative activity (\$ in millions)	142	156	179	205

Operating Budget

The budget provides \$556,032,500 and 6,338 FTE Positions for the operating budget in FY 2008. This amount consists of:

	FY 2008
General Fund	\$344,964,400
University Collections Fund	211,068,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$15,131,400 from the General Fund in FY 2008 for statewide adjustments. (Please see the Statewide Adjustments section at the end of this Appropriations Report for detail.)

Enrollment Growth

The budget provides an increase of \$16,688,300 and 110 FTE Positions in FY 2008 for enrollment growth. This amount consists of:

General Fund	10,087,200
University Collections Fund	6,601,100

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 1,383 full-time equivalent (FTE) students, to 46,016 FTE students in FY 2008.

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, adds or subtracts 1

faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE is \$67,900, as requested by the university and adjusted for employee related expenditures.

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

Credit Hour Threshold

The budget provides a decrease of \$(209,800) and (2.3) FTE Positions from the General Fund in FY 2008 to eliminate funding for 29 additional ASU-Main students over the 150 credit hours threshold between FY 2007 and FY 2008.

A.R.S. § 15-1661 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 the Arizona Board of Regents (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. ASU reported 112 FTE students over the threshold in FY 2006 and 141 FTE students in FY 2007, or a net increase of 29 FTE students over the credit hour threshold at the Main Campus in FY 2007.

One-Time Funding for Arizona Water Institute

The budget provides a decrease of \$(100,000) and (1) FTE Position from the General Fund in FY 2008 for the Arizona Water Institute.

Laws 2006, Chapter 350 provided \$1,500,000 and 15 FTE Positions from the General Fund in FY 2007, divided evenly among the 3 universities, for funding to collaboratively improve water policy and management in the state. Chapter 350 and the Executive both designated the funding as one-time as part of the FY 2007 budget process. The FY 2008 General Appropriation Act (Laws 2007, Chapter 255) makes \$1,200,000 and 12 FTE Positions of the original FY 2007 appropriation permanent in FY 2008. The FY 2007 water institute funding for each university will therefore be reduced by \$(100,000) and (1) FTE Position.

Of the \$1,500,000 appropriated in FY 2007, approximately \$1,100,000 was dedicated to projects that include collaboratively resolving water issues in the state, such as sustainable water management, education efforts related to water, and technology transfer and economic development. The remaining \$400,000 was dedicated to the employment of project coordinators and associate directors. These are university employees acting as visiting researchers to the Department of Water Resources, the Department of Commerce, and the Department of Environmental Quality.

Special Line Items

Biomedical Informatics

The budget provides \$3,051,800 and 20.8 FTE Positions from the General Fund for the Biomedical Informatics Department in FY 2008. This amount funds the following adjustments:

Statewide Adjustments

The budget provides an increase of \$34,000 from the General Fund in FY 2008 for statewide adjustments.

Biomedical Informatics Expansion

The budget provides an increase of \$2,000,000 and 14 FTE Positions from the General Fund in FY 2008 to double the number of graduate students enrolled in Biomedical Informatics from 10 to 20. The appropriation will also allow additional medical students at the Phoenix Medical Campus to participate in Biomedical Informatics instruction.

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 \$48,816,000 and 609.8 FTE Positions for programs headquartered at the Downtown Phoenix Campus (DPC) in FY 2008. This amount consists of:

General Fund	34,879,600
University Collections Fund	13,936,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$1,575,200 from the General Fund in FY 2008 for statewide adjustments.

Enrollment Growth

The budget provides an increase of \$1,421,900 and 9.3 FTE Positions in FY 2008 for enrollment growth. This amount consists of:

General Fund	863,500
University Collections Fund	558,400

These amounts finance projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. *(For more information, please see the enrollment funding formula explanation in the Operating Budget section of this report.)* Projected formula enrollment for students enrolled in programs funded by the downtown campus is

growing by 117 FTE students, to 3,067 FTE students in FY 2008.

ASU first offered classes in downtown Phoenix in 1986, at the site of the former Phoenix Union High School. (That facility has been renovated 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 and roughly bordered by Fillmore, Van Buren, 3rd Street, and 1st Avenue. This location will place the facility 2 city blocks from the Phoenix Medical Campus. A City of Phoenix bond election in March 2006 approved \$188,000,000 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.

ASU will cover annual operating expenses for the DPC and \$20,000,000 in one-time Furniture, Fixture and Equipment (FF&E) expenses, most of which has been committed or expended to date. In total, ASU's financial obligations will include lease-purchase payments for the Mercado; 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 parking facilities; and a Civic Center usage fee. Additionally, ASU will transfer without cost its ownership of the Mercado to the City of Phoenix once ASU has repaid the existing indebtedness.

The first phase of the Downtown Phoenix Campus began in fall 2006. Courses are currently offered through the College of Public Programs, the College of Nursing, and the University College.

The ASU plan envisions a 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, moves to the campus. By FY 2011, ASU expects to serve 7,000 (headcount) students enrolled in at least one course 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 continues a FY 2007 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 (Laws 2007, Chapter 265) requires ABOR to submit for JLBC review, by October 1, 2007, detailed operational and capital plans for the campus.

Phoenix Biomedical Campus Schematic Design

The budget provides \$5,250,000 from the General Fund for the new Phoenix Biomedical Campus Schematic Design Special Line Item in FY 2008. This funding will be used for programming and schematic design for the Arizona Biomedical Collaborative (ABC) 2 and Education buildings at the Phoenix Medical Campus.

Once constructed, the ABC 2 building would house research programs for the UA College of Medicine-Phoenix, the ASU Department of Biomedical Informatics, and other ASU biomedical research programs, such as the Biodesign Institute and the College of Life Sciences. The Education buildings would be comprised primarily of classroom and administrative space, with educational facilities such as simulation laboratories, gross anatomy facilities, and preclinical training.

Laws 2007, Chapter 255 also appropriates \$5,250,000 to the UA - Main Campus for programming and schematic design, bringing the total appropriation to \$10,500,000. The construction cost of the ABC 2 and Education buildings is estimated to be between \$400,000,000 and \$500,000,000. A new footnote in the FY 2008 budget requires ASU and UA to jointly submit an expenditure plan before expending the appropriation for programming and schematic design. Another new footnote further requires ASU and UA to jointly submit the scope, purpose and estimated cost of the Phoenix Biomedical Campus to the Joint Committee on Capital Review (JCCR) for its review after schematic design is complete. (*For additional information on the Phoenix Medical Campus, please the UA - Health Sciences Section of this report.*)

Research Infrastructure Lease-Purchase Payment

The budget provides \$13,555,000 from the General Fund for the new Research Infrastructure Lease-Purchase Payment Special Line Item in FY 2008. The funding will be used to make the first debt service payment associated with the financing for research infrastructure projects.

Laws 2003, Chapter 267 appropriated a total of \$34,600,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding does not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, ASU-Main has issued \$187,200,000 in COPs for the following projects:

- \$80,700,000 for the Biodesign Institute at ASU Building B;
- \$93,300,000 for the Interdisciplinary Science & Technology Buildings I and II;
- \$13,200,000 for the Arizona Biomedical Collaborative Building at the Downtown Phoenix Campus.

ASU-Main has completed each of these projects.

Senator Barry Goldwater Papers

The budget provides no funding for the Senator Barry Goldwater Papers in FY 2008. This amount reflects the following adjustment:

One-Time Funding for Barry Goldwater Papers

The budget provides a decrease of \$(529,000) from the General Fund in FY 2008 to reflect one-time funding for the Barry Goldwater Papers.

In FY 2007, ASU distributed one-time funding to the Arizona Historical Foundation (AHF) to process, catalogue, and preserve the personal and political files of the late Senator Barry Goldwater in FY 2008. AHF, a non-profit archive housed in the Main Campus' Hayden Library, possesses 1,200 boxes of various media.

Student and Faculty Retention

The budget provides \$15,064,000 and 138 FTE Positions from the General Fund the new for Student and Faculty Retention Special Line Item in FY 2008.

In total, the 3 state universities will receive \$29,800,000 to improve student and faculty retention at their respective institutions. Additionally, Laws 2007, Chapter 255 requires ABOR to submit a student retention report on December 1 of every year that details for each university the number of existing full-time positions dedicated to student retention, the number of new hires and other related expenditures funded through legislative appropriations dedicated to student retention, and freshman and sophomore retention rates. ASU will use its appropriation to increase stipends to faculty and graduate teaching assistants and associates, increase course availability and reduce class sizes, enhance student advising, and create a new enrollment management system.

Additional Legislation

Higher Education Budget Reconciliation Bill

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) 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.