

Executive Director: Joel Sideman

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	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	27.9	27.9	27.9
Personal Services	1,474,700	1,584,300	1,631,500
Employee Related Expenditures	332,500	272,100	300,900
Professional and Outside Services	76,000	63,400	63,400
Travel - In State	100	0	0
Other Operating Expenditures	341,000	402,200	408,300
<b>OPERATING SUBTOTAL</b>	<b>2,224,300</b>	<b>2,322,000</b>	<b>2,404,100</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
Math and Science Teacher Initiative	0	0	2,250,000 <sup>1/</sup>
Nursing Education	1,434,500	1,368,000	1,368,000 <sup>2/</sup>
Student Financial Assistance	2,161,200	7,161,200	10,041,200
Western Interstate Commission Office	108,000	112,000	116,000
WICHE Student Subsidies	2,895,600	3,570,700	4,115,000
<b>AGENCY TOTAL</b>	<b>9,127,300</b>	<b>14,837,600</b>	<b>20,598,000<sup>3/4/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	9,127,300	14,837,600	20,598,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>9,127,300</b>	<b>14,837,600</b>	<b>20,598,000</b>
Other Non-Appropriated Funds	4,827,300	9,484,100	7,248,600
Federal Funds	818,000	1,697,400	1,697,400
<b>TOTAL - ALL SOURCES</b>	<b>14,772,600</b>	<b>26,019,100</b>	<b>29,544,000</b>

**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.

- <sup>1/</sup> The \$2,250,000 appropriation from the state General Fund for the Math and Science Teacher Initiative shall be deposited into the Mathematics, Science and Special Education Teacher Student Loan Fund established by A.R.S. § 15-784. Of this amount, the Arizona Board of Regents shall use \$1,750,000 for student loans to eligible prospective math and science teachers and \$500,000 for student loans to eligible prospective special education teachers. The Arizona Board of Regents may retain up to \$100,000 of the appropriation for the Math and Science Teacher Initiative for administrative costs directly incurred by the board. (General Appropriation Act footnote)
- <sup>2/</sup> Includes \$1,368,000 appropriated by Laws 2005, Chapter 330 for the Arizona Partnership for Nursing Education Demonstration Project. Chapter 330 assigns ABOR the authority to distribute the amount among the universities.
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>4/</sup> Within 10 days of the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit an expenditure plan to the Joint Legislative Budget Committee for its review. The expenditure plan shall include any tuition revenue amounts that are greater than the appropriated amounts and all retained tuition and fee revenue expenditures for the current fiscal year. The additional revenue expenditure plan shall provide as much detail as the university budget requests. (General Appropriation Act footnote)
- <sup>5/</sup> On or before December 1 of each year, the Arizona Board of Regents shall submit a student retention report in a format agreed upon by the Joint Legislative Budget Committee, the Office of Strategic Planning and Budgeting and the universities to the President of the Senate, Speaker of the House of Representatives, the Governor, the Joint Legislative Budget Committee, and the Office of Strategic Planning and Budgeting. The report shall provide 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. (General Appropriation Act footnote)

<b>PERFORMANCE MEASURES (Systemwide)</b>	FY 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	Approved
• % of graduating seniors who rate their overall university experience as “good”/“excellent”	95	95	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.	74	74	75	77
• % 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 51% of all university system undergraduate primary class sections 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, 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.	4.7	4.7	4.6	4.5

### **Operating Budget**

The budget provides \$2,404,100 and 27.9 FTE Positions from the General Fund for the operating budget in FY 2008. This amount funds the following adjustment:

#### **Statewide Adjustments**

The budget provides an increase of \$82,100 from the General Fund in FY 2008 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

### **Special Line Items**

#### **Arizona Teachers Incentive Program**

The budget provides \$90,000 from the General Fund for the Arizona Teachers Incentive Program (ATIP) in FY 2008. This amount is unchanged from FY 2007.

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 2007, 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 budget provides \$213,700 from the General Fund for the Arizona Transfer Articulation Support System

(ATASS) in FY 2008. This amount is unchanged from FY 2007.

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 \$222,100 to the system in FY 2006, as well as \$276,800 in FY 2007. Their projected contribution for FY 2008 is \$298,400.

#### **Math and Science Teacher Initiative**

The budget provides \$2,250,000 from the General Fund for the new Math and Science Teacher Initiative Special Line Item in FY 2008. The funding will be used to increase the number of math, science and special education teachers in the state. Of this amount, the agency will distribute \$1,750,000 for student loans to prospective math and science teachers and \$500,000 for student loans to prospective special education teachers. *(Please see the Additional Legislation discussion on this agency page for additional details.)*

#### **Nursing Education**

The budget provides \$1,368,000 from the General Fund for the Arizona Partnership for Nursing Education Demonstration Project (APNEDP) in FY 2008. This amount is unchanged from FY 2007. These monies do not appear in the FY 2008 General Appropriation Act because Laws 2005, Chapter 330, Section 16 appropriated them in advance through FY 2010.

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 \$4,000,000 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 budget provides \$10,041,200 from the General Fund for Student Financial Assistance in FY 2008. This amount funds the following adjustment:

##### **Arizona Financial Aid Trust**

The budget provides an increase of \$2,880,000 from the General Fund in FY 2008 for the Arizona Financial Aid Trust (AFAT). This amount will provide a 2:1 ratio of state funding to student fees, as required by statute.

Pursuant to A.R.S. § 15-1642, monies in this line item match financial aid tuition surcharges collected from university students. The AFAT fee is 1% of the full-time resident undergraduate tuition rate, or around \$42 in FY 2007. All students pay roughly the same fee, except part-time students, who pay half the regular fee.

Previously, AFAT retained half of all annual receipts as a permanent financial aid endowment. Laws 2006, Chapter 350 amended statute so that AFAT will retain 25% of receipts for the endowment. ABOR distributes the remaining monies, proportionally to each university's respective contribution, to provide immediate assistance for needy in-state students. In FY 2006, AFAT disbursed \$3,800,000 in financial aid. (*Please see Table 4 for a summary of FY 2006 financial aid distributions from all sources.*)

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

The budget provides \$116,000 from the General Fund for the Western Interstate Commission Office in FY 2008. This amount funds the following adjustment:

##### **WICHE Administrative Fee Increase**

The budget provides an increase of \$4,000 from the General Fund in FY 2008 for the WICHE organization fee increase.

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 budget provides \$4,115,000 from the General Fund for WICHE Student Subsidies in FY 2008. This amount funds the following adjustment:

##### **WICHE Student Subsidies**

The budget provides an increase of \$544,300 from the General Fund in FY 2008 to subsidize 20 additional students in the WICHE program, bringing the total number of students participating in the WICHE program to 203.

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.

In FY 2007, the board provided subsidies to 183 Arizona students, compared to 151 in FY 2006. 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.

#### ***Additional Legislation***

##### ***Indirect or Third Party Financing***

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) clarifies the extent of legislative oversight of capital projects and agreements that benefit the universities, and redefines indirect debt financing to include third party financing.

Prior to FY 2007, statute required the Joint Committee on Capital Review (JCCR) to review all university projects financed with direct lease-purchase agreements or direct bond issuances that were executed by the universities themselves. Laws 2006, Chapter 352 added the requirement that JCCR review capital projects using indirect debt financing. Indirect debt financing includes

instances where a private developer or a tax-exempt non-profit organization affiliated with a university executes bonds or lease-purchase agreements for capital projects on university land and/or intended to house university activities.

Chapter 265 further specifies that capital projects that may eventually become a state asset and indirect or third party financing agreements with “components units” require JCCR review. Chapter 265 defines a component unit as an entity whose relationship with ABOR or a university is significant enough that the exclusion of that entity from ABOR or university financial statements would be misleading or incomplete.

Chapter 265 excludes commercial projects from which a majority of business is anticipated to be from a non-university population from the definition of indirect or third party financing. ABOR and the universities are, however, required to report to the JCCR on the scope, purpose and estimated costs of such commercial projects developed on ABOR or university land 2 months prior to any agreement. Private entities involved in commercial projects are not required to divulge proprietary information to the JCCR. Chapter 265 further allows JCCR to provide recommendations to ABOR and the universities on reported commercial projects.

#### ***Campus Siting***

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) requires ABOR to receive review by the JCCR before establishing any new university campus separate from any location in existence as of July 1, 2007. This provision is retroactive to this date.

#### ***Spouse/Child Tuition Waivers***

The Higher Education Budget Reconciliation Bill (BRB) (Laws 2007, Chapter 265) requires Arizona public universities and community colleges to provide tuition waiver scholarships to children or spouses of a member of the United States Armed Forces who was killed while on active duty. The child or spouse must meet current statutory eligibility requirements in order to receive the waiver.

#### ***Downtown Phoenix Campus***

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) requires ABOR to submit for Joint Legislative Budget Committee review, by October 1, 2007, detailed operational and capital plans for the Downtown Phoenix Campus. These plans should include at least the following:

1. Detail on expenditures to date by ABOR, its institutions, and its partners.
2. Detailed 5-year operational and capital budgets, including information on the expected sources of all funds.

3. A 5-year description of enrollment, capacity growth, and graduation expectations by subject area.
4. The contributions and financing arrangements of all partners contributing to the capital plan, as well as the legal and financial relationships of ABOR and its institutions to these partners.

#### ***Math, Science, and Special Education Teacher Student Loan Program***

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) allows ABOR to grant up to 5-year loans to eligible in-state students pursuing a teaching degree in mathematics, science, and special education at a public state university and who agree to a service commitment to teach in a public school. If a student fulfills the loan’s service requirement, the loan may be forgiven. ABOR is required to adopt policies for screening applicants based on ability, character, and financial need. Loans can be used for the cost of resident tuition, instructional materials, and fees. The loan program can begin in the spring semester of 2008 and will terminate on July 1, 2017.

Chapter 265 limits loan awards to the amount of tuition and fees not covered by federal grant aid. Loans may include a stipend for instruction materials. ABOR is granted the authority to establish the terms and conditions for each loan, the loan’s interest rate, and repayment procedures. ABOR is also authorized to collect loans in default and delegate the administration of loans to the universities.

Chapter 265 further requires ABOR to submit an approved report to the Governor and Legislature that includes the number of applicants and loan recipients and teacher retention data for at least 5 years after each loan recipient completes the service agreement.

In addition, Chapter 265 establishes the Mathematics, Science and Special Education Teacher Student Loan Fund. The purpose of the fund is to provide loans for eligible students. It will consist of appropriations and repayments of principal and interest for previously issued loans and be continuously appropriated.

#### ***Employment Opening Public Notices***

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) requires, as permanent law, that all state public universities publicly post notices, with the relevant details, for all employment openings.

#### ***University System Summary Tables***

*Table 1* and *Table 2* summarize FY 2007 expenditure authority for the Arizona University System. *Table 3* shows tuition and fee changes for FY 2008.

Table 4 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2006. Of \$932.9 million total financial aid distributions in FY 2006, the state appropriated \$2.0 million and university institutional sources provided \$333.6 million.

Table 5 displays total tuition collections for the Arizona University System, an estimated \$749.9 million in FY 2007. Since the FY 2008 amounts derive from the universities' FY 2008 budget requests, these amounts would grow with the FY 2008 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 2008, ABOR allocated approximately \$443.1 million to appropriated operating budgets and \$341.6 million to non-appropriated funds.

	Enrollment (FTE) <sup>1/</sup>	Appropriated Funds			Non-Appropriated Funds		Total
		General Fund	Collections Fund <sup>2/</sup>	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR		\$ 20,598,000	\$ 0	\$ 0	\$ 1,697,400	\$ 7,248,600	\$ 29,544,000
ASU-Main	48,942	416,764,800	225,004,500	0	161,861,100	476,327,400	1,279,957,800
ASU-East	3,495	25,915,900	18,984,800	2,000,000	3,584,100	8,571,100	59,055,900
ASU-West	6,512	53,604,400	21,852,100	1,600,000	4,426,200	11,128,500	92,611,200
NAU	17,260	160,868,800	45,284,400	0	45,781,900	129,337,300	381,272,400
UA-Main	32,273	362,389,200	117,667,200	0	239,321,100	547,331,300	1,266,708,800
UA-Health Sciences	1,839	80,954,200	14,356,100	0	111,694,500	84,739,700	291,744,500
<b>Total</b>	<b>110,321</b>	<b>\$1,121,095,300</b>	<b>\$443,149,100</b>	<b>\$3,600,000</b>	<b>\$568,366,300</b>	<b>\$1,264,683,900</b>	<b>\$3,400,894,600</b>

1/ Enrollment here represents student populations as calculated by the part-statutory, part-conventional student enrollment funding formula, less FY 2007 students who have earned credit hours in excess of the 150 credit hour threshold.  
2/ Excludes FY 2008 tuition increase.

	FY 2007	Enrollment Growth	Faculty/Student Retention	Biomedicine	Lease Purchase	Other Items <sup>1/</sup>	One-Time Funding	Standard Changes	FY 2008
ABOR	\$ 14,837,600	\$ --	\$ --	\$ --	\$ --	\$5,678,300	\$ --	\$ 82,100	\$ 20,598,000
ASU-M	354,043,300	10,740,900	15,064,000	7,250,000	13,555,000	--	(629,000)	16,740,600	416,764,800
ASU-E	19,980,900	3,808,900	--	--	917,000	--	--	1,209,100	25,915,900
ASU-W	49,095,800	1,638,300	--	--	--	1,000,000	--	1,870,300	53,604,400
<i>Subtotal</i>	<i>423,120,000</i>	<i>16,188,100</i>	<i>15,064,000</i>	<i>7,250,000</i>	<i>14,472,000</i>	<i>1,000,000</i>	<i>(629,000)</i>	<i>19,820,000</i>	<i>496,285,100</i>
NAU	135,949,400	4,439,400	4,736,000	4,000,000	5,900,000	--	(100,000)	5,944,000	160,868,800
UA-M	320,798,100	(1,283,000)	10,000,000	5,250,000	14,253,000	--	(100,000)	13,471,100	362,389,200
UA-HSC	69,098,500	677,800	--	8,500,000	--	--	--	2,677,900	80,954,200
<i>Subtotal</i>	<i>389,896,600</i>	<i>(605,200)</i>	<i>10,000,000</i>	<i>13,750,000</i>	<i>14,253,000</i>	<i>--</i>	<i>(100,000)</i>	<i>16,149,000</i>	<i>443,343,400</i>
<b>Total</b>	<b>\$963,803,600</b>	<b>\$20,022,300</b>	<b>\$29,800,000</b>	<b>\$25,000,000</b>	<b>\$34,625,000</b>	<b>\$6,678,300</b>	<b>\$(829,000)</b>	<b>\$41,995,100</b>	<b>\$1,121,095,300</b>

1/ Includes \$5,678,300 for ABOR for financial aid and \$1,000,000 for ASU-West for the expansion of the School of Criminal Justice and Criminology.

Table 3

FY 2007 and FY 2008 Tuition and Fees (\$) <sup>1/</sup>

	FY 2007				FY 2008				FY 2007 to FY 2008 Change			
	Resident		Non-Resident		Resident		Non-Resident		Resident		Non-Resident	
	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad
ASU Main	4,686	5,559	15,845	15,823	4,969	6,026	17,001	16,612	283	467	1,156	789
ASU East & West	4,444	5,508	15,794	15,772	4,766	5,974	16,999	16,560	322	466	1,205	788
NAU Flagstaff	4,546	4,733	13,487	13,381	4,841	4,898	14,495	13,858	295	165	1,008	477
NAU Distance Ed	4,381	4,652	13,406	13,300	4,623	4,817	14,365	13,777	242	165	959	477
UA Main & HSC	4,754	4,941	14,960	13,921	5,037	5,440	16,271	15,230	283	499	1,311	1,309
UA South	4,203	4,888	14,905	13,868	4,461	5,385	16,216	15,175	258	497	1,311	1,307

<sup>1/</sup> 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.

Table 4

FY 2006 Financial Aid Distribution by Source (in thousands) <sup>1/</sup>

	<u>Federal</u>	<u>State</u> <sup>2/</sup>	<u>Institutional</u> <sup>3/</sup>	<u>Private/Other</u>	<u>Total</u>
Grants	\$ 72,484.3	\$1,482.4	\$206,000.4	\$ 62,428.3	\$342,395.4
Loans	358,506.2	561.6	13.8	99,376.9	458,458.5
Employment	<u>4,483.1</u>	<u>0.0</u>	<u>127,541.6</u>	<u>0.0</u>	<u>132,024.7</u>
<b>Total</b>	<b>\$435,473.6</b>	<b>\$2,044.0</b>	<b>\$333,555.8</b>	<b>\$161,805.2</b>	<b>\$932,878.6</b>

<sup>1/</sup> Information provided by ABOR.

<sup>2/</sup> State sources of aid include revenues from the Commission for Postsecondary Education and the Board of Medical Student Loans.

<sup>3/</sup> 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.

Table 5

## Tuition Revenue Allocation

	<u>FY 2006 Actual</u>	<u>FY 2007 Estimate</u>	<u>FY 2008</u> <sup>1/</sup>
<u>Appropriated</u>			
Operating Budget	\$392,962,900	\$430,234,000	\$443,083,800
<u>Non-Appropriated</u>			
Operating Budget	39,231,900	38,894,200	41,428,400
Financial Aid	172,609,500	203,491,800	218,076,300
Plant Fund	6,481,600	7,481,600	9,559,800
Debt Service	<u>68,531,700</u>	<u>69,769,400</u>	<u>72,556,400</u>
<b>Total</b>	<b>\$679,817,600</b>	<b>\$749,871,000</b>	<b>\$784,704,700</b>

<sup>1/</sup> The source for these non-appropriated amounts are the universities' FY 2008 budget requests. The amounts do not account for the FY 2008 tuition increases.