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	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	892.0	920.3	967.2 ^{1/}
Personal Services	46,474,300	49,889,600	52,726,900
Employee Related Expenditures	11,559,300	10,338,600	11,239,700
Professional and Outside Services	856,500	710,300	710,300
Travel - In State	36,700	47,100	52,300
Travel - Out of State	81,300	11,600	15,900
Other Operating Expenditures	3,364,000	2,573,200	3,398,500
Library Acquisitions	1,113,100	1,061,800	1,061,800
Equipment	393,300	278,300	317,200
OPERATING SUBTOTAL	63,878,500	64,910,500	69,522,600
SPECIAL LINE ITEMS			
Clinical Rural Rotation	538,800	504,400	520,100
Clinical Teaching Support	9,584,800	9,820,500	10,264,800
Liver Research Institute	741,800	525,600	544,800
Phoenix Medical Campus	4,401,300	6,014,000	12,217,100 ^{2/3/}
Telemedicine Network	1,199,300	1,213,700	2,240,900
AGENCY TOTAL	80,344,500	82,988,700	95,310,300 ^{4/5/6/}
FUND SOURCES			
General Fund	64,261,300	69,098,500	80,954,200 ^{7/}
<u>Other Appropriated Funds</u>			
University Collections Fund	16,083,200	13,890,200	14,356,100 ^{8/}
SUBTOTAL - Other Appropriated Funds	16,083,200	13,890,200	14,356,100
SUBTOTAL - Appropriated Funds	80,344,500	82,988,700	95,310,300
Other Non-Appropriated Funds	83,147,200	83,635,200	84,739,700
Federal Funds	105,286,800	108,441,500	111,694,500
TOTAL - ALL SOURCES	268,778,500	275,065,400	291,744,500

^{1/} Includes 293.3 FTE Positions funded from Special Line Items in FY 2008, including 212 FTE Positions, all filled by students, associated with the Clinical Teaching Support Special Line Item.

^{2/} University budget requests shall provide as much detail for the Phoenix Medical Campus as for any other budget program. Notwithstanding A.R.S. § 35-173C, any proposed transfer to or from the amounts appropriated for the Phoenix Medical Campus Line Item shall require prior review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)

^{3/} The University of Arizona and the Arizona Board of Regents shall report to the Joint Legislative Budget Committee, on August 15, 2007 and February 15, 2008, updates concerning the formal relationship between the Phoenix Medical Campus and area hospitals, partnerships with private medical schools, the availability of clinical rotations for medical students in this state, the creation of new residency positions in this state, the expansion of medical services in this state's rural areas, the attraction of out-of-state medical students to practice in this state, and other strategies being considered or employed to prevent a doctor shortage in this state or the rural areas of this state. (General Appropriation Act footnote)

^{4/} The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

^{5/} The appropriated monies are not to be used to support any student newspaper. (General Appropriation Act footnote)

^{6/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{7/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{8/} 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 — In 1994, the University of Arizona (UA) joined its Colleges of Medicine, Nursing, Pharmacy, and Public Health, its School of Health Professions, the University Medical Center, and university physicians into the Arizona Health Sciences Center (AHSC). AHSC enrolls over 1,700 undergraduate and graduate students at its 48-acre campus in Tucson. AHSC is also constructing a new, 4.5 acre campus in Phoenix that will open in FY 2008.

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”	100	95	96	99

Operating Budget

The budget provides \$69,522,600 and 673.9 FTE Positions for the operating budget in FY 2008. This amount consists of:

	FY 2008
General Fund	\$55,166,500
University Collections Fund	14,356,100

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$1,968,400 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 \$1,176,100 and 7.8 FTE Positions in FY 2008 for enrollment growth. This amount consists of:

General Fund	710,200
University Collections Fund	465,900

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 98 full-time equivalent (FTE) students, to 1,843 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 \$(32,400) and (0.4) FTE Positions from the General Fund in FY 2008 to eliminate funding for 4.5 additional UA-HSC 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. UA reported no FTE students over the threshold in FY 2006 and 4.5 FTE students in FY 2007, or a net increase of 4.5 FTE students over the credit hour threshold at the Health Sciences Center in FY 2007.

College of Pharmacy Expansion

The budget provides an increase of \$1,500,000 and 11 FTE Positions from the General Fund in FY 2008 to start a 4-year Doctor of Pharmacy program in Phoenix and allow 40 students enrolled in the Tucson pharmacy program to complete their 4th year of training in Phoenix. The new Phoenix program will eventually educate 100 additional pharmacists each year.

Special Line Items

Clinical Rural Rotation

The budget provides \$520,100 and 6.1 FTE Positions from the General Fund for the Clinical Rural Rotation program in FY 2008. This amount funds the following adjustment:

Statewide Adjustments

The budget provides an increase of \$15,700 from the General Fund in FY 2008 for statewide adjustments.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The budget provides \$10,264,800 and 212 FTE Positions from the General Fund for Clinical Teaching Support in FY 2008. This amount funds the following adjustment:

Statewide Adjustments

The budget provides an increase of \$444,300 from the General Fund in FY 2008 for statewide adjustments.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions. Since participation in the program has been stable for several years, the funding summary above includes these FTE Positions.

Liver Research Institute

The budget provides \$544,800 and 6.5 FTE Positions from the General Fund for the Liver Research Institute in FY 2008. This amount funds the following adjustment:

Statewide Adjustments

The budget provides an increase of \$19,200 from the General Fund in FY 2008 for statewide adjustments.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The budget provides \$12,217,100 and 60.8 FTE Positions from the General Fund for the Phoenix Medical Campus (PMC) in FY 2008. This amount funds the following adjustments:

Statewide Adjustments

The budget provides an increase of \$203,100 from the General Fund in FY 2008 for statewide adjustments.

Phoenix Medical Campus Expansion

The budget provides an increase of \$6,000,000 and 26.5 FTE Positions from the General Fund in FY 2008 to double the projected medical school class size from 24 students to 48 students in FY 2009. Laws 2005, Chapter 330 originally limited appropriated support to just 1 class of 24 students.

Laws 2005, Chapter 330 directed UA to establish a medical campus in Phoenix, utilizing the former site of Phoenix Union High School. UA renovated 3 existing buildings on this site at a total cost of \$19,000,000, which UA will finance through 30 years of \$1,500,000 lease payments. Of this amount, the General Fund appropriation will pay \$1,000,000 annually.

The Joint Legislative Budget Committee favorably reviewed detailed operational and capital plans for PMC at its September 28, 2005 meeting, with the provision that review did not constitute endorsement of any level of General Fund appropriations for PMC. UA envisions, by FY 2025, adding at least 1,200,000 square-feet to house 680 medical students, 1,660 science students, and 140 bioinformatics students. To accommodate future expansion plans, Laws 2007, Chapter 255 appropriates \$10,500,000 from the General Fund in FY 2008 for the programming and schematic design of 2 new facilities, the Arizona Biomedical Collaborative (ABC) 2 and Education buildings, at the Phoenix Medical Campus. *(For additional information on this appropriation, please see the UA – Main Section of this report.)*

In December 2006, the College of Medicine entered into a memorandum of understanding (MOU) with Banner Health, under which Banner Health will become the college's primary academic hospital affiliation in Phoenix. According to the MOU, Banner Health will construct a new teaching hospital on the Phoenix Biomedical Campus and build a new comprehensive cancer center in conjunction with the UA College of Medicine's Arizona Cancer Center. In addition to their affiliation with Banner Health, the college will establish an academic affiliation with the Maricopa Integrated Health System.

Telemedicine Network

The budget provides \$2,240,900 and 7.9 FTE Positions from the General Fund for the Telemedicine Network in FY 2008. This amount funds the following adjustments:

Statewide Adjustments

The budget provides an increase of \$27,200 from the General Fund in FY 2008 for statewide adjustments.

Telemedicine Expansion

The budget provides an increase of \$1,000,000 and 2 FTE Positions from the General Fund in FY 2008 to expand the telemedicine program to Phoenix. Currently, the telemedicine program is offered exclusively at the UA-Main campus in Tucson. The expansion will link a full

range of healthcare providers to teach medical students the latest technology in medical education and new ways of delivering care in a team based model. Additionally, the funding will be used to develop a pilot inter-professional clinical delivery system throughout the state.

Telemedicine is the use of computers, video imaging, broadband Internet channels, and other telecommunication technologies to diagnose and treat patients in rural communities and state penitentiaries.

Additional Legislation

Higher Education Budget Reconciliation Bill

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) includes several provisions affecting the state universities. For further explanation of this act, please see *Additional Legislation* in the *Arizona Board of Regents* section.