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	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,589.1	5,591.7	5,667.8 ^{1/}
Personal Services	238,242,600	252,864,600	259,202,700
Employee Related Expenditures	67,993,000	66,721,600	70,062,900
Professional and Outside Services	2,246,600	3,197,900	3,197,900
Travel - In State	129,800	217,700	206,400
Travel - Out of State	630,200	273,300	265,300
Other Operating Expenditures	26,934,600	44,912,100	44,517,600
Library Acquisitions	8,284,800	8,128,700	8,128,700
Equipment	2,079,700	3,352,900	3,266,400
OPERATING SUBTOTAL	346,541,300	379,668,800	388,847,900
SPECIAL LINE ITEMS			
Agriculture	51,471,900	42,268,300	43,697,900
Arizona Cooperative Extension	0	11,735,700	12,285,900
Phoenix Biomedical Campus Schematic Design	0	0	5,250,000 ^{2/3/}
Research Infrastructure Lease-Purchase Payment	0	0	14,253,000 ^{4/}
Sierra Vista Campus	4,080,000	5,595,900	5,721,700
Student and Faculty Retention	0	0	10,000,000
AGENCY TOTAL	402,093,200	439,268,700	480,056,400^{5/6/7/}
FUND SOURCES			
General Fund	293,785,200	320,798,100	362,389,200 ^{8/}
<u>Other Appropriated Funds</u>			
University Collections Fund	108,308,000	118,470,600	117,667,200 ^{9/}
SUBTOTAL - Other Appropriated Funds	108,308,000	118,470,600	117,667,200
SUBTOTAL - Appropriated Funds	402,093,200	439,268,700	480,056,400
Other Non-Appropriated Funds	527,539,400	539,516,600	547,331,300
Federal Funds	226,443,000	232,332,900	239,321,100
TOTAL - ALL SOURCES	1,156,075,600	1,211,118,200	1,266,708,800

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/ Includes 938.9 FTE Positions funded from Special Line Items in FY 2008.
- 2/ 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 for its review. (General Appropriation Act footnote)
- 3/ 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)
- 4/ Includes \$14,253,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.
- 5/ The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)
- 6/ The appropriated monies are not to be used to support any student newspaper. (General Appropriation Act footnote)
- 7/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 8/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
- 9/ 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)

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	95	95	96
• % 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.	78	75	76	80
• % 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 52% of all undergraduate primary class sections at UA in FY 2005, compared to 47% nationally in FY 2004.	--	--	50	55
• 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.	4.7	4.7	4.7	4.6

Operating Budget

The budget provides \$388,847,900 and 4,728.9 FTE Positions for the operating budget in FY 2008. This amount consists of:

	FY 2008
General Fund	\$281,679,000
University Collections Fund	107,168,900

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$11,365,500 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 Decline

The budget provides a decrease of \$(2,042,800) and (13.4) FTE Positions in FY 2008 for a decline in enrollment. This amount consists of:

General Fund	(1,239,400)
University Collections Fund	(803,400)

These amounts reduce funding for a projected decline in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Projected formula enrollment is declining by (169) Full-Time Equivalent (FTE) students, to 32,321 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 a decline in enrollment also contributes to a decline in university tuition and fee collections, the University Collections Fund amount reflects the decrease in revenues.

Credit Hour Threshold

The budget provides a decrease of \$(43,600) and (0.5) FTE Positions from the General Fund in FY 2008 to eliminate funding for 6 additional UA-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. UA reported 42 FTE students over the threshold in FY 2006 and 48 FTE students in FY 2007, or a net increase of 6 FTE students over the credit hour threshold at the Main Campus in FY 2007.

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

Agriculture

The budget provides \$43,697,900 and 611.8 FTE Positions for Agriculture programs in FY 2008. This amount consists of:

General Fund	35,047,600
University Collections Fund	8,650,300

These amounts fund the following adjustment:

Statewide Adjustments

The budget provides an increase of \$1,429,600 from the General Fund in FY 2008 for statewide adjustments.

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 \$12,285,900 and 178.7 FTE Positions from the General Fund for the Arizona Cooperative Extension in FY 2008. This amount funds the following adjustment:

Statewide Adjustments

The budget provides an increase of \$550,200 from the General Fund in FY 2008 for statewide adjustments.

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

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 ASU – Tempe 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 \$14,253,000 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, UA-Main has issued \$201,300,000 in COPs for the following projects:

- \$68,700,000 for construction of the Thomas W. Keating Bioresearch Building;
- \$62,600,000 for construction of the Medical Research Building;
- \$51,800,000 for additions to the Chemistry Building;
- \$18,200,000 for construction of the ABC Building at the College of Medicine – Phoenix.

UA-Main has completed each of these projects with the exception of the ABC Building. As of this writing, the ABC Building is scheduled to be completed in early July 2007.

Sierra Vista Campus

The budget provides \$5,721,700 and 57.4 FTE Positions for the Sierra Vista Campus in FY 2008. These amounts consist of:

General Fund	3,873,700
University Collections Fund	1,848,000

These amounts fund the following adjustment:

Statewide Adjustments

The budget provides an increase of \$125,800 from the General Fund in FY 2008 for statewide adjustments.

Laws 2006, Chapter 344 and the Executive originally designated \$1,200,000 of this funding for the expansion of upper-division class offerings at community college sites in Sierra Vista, Douglas, Graham County, and outlying areas in Pima County as one-time as part of the FY 2007 budget process. The FY 2008 budget retains these monies as an ongoing appropriation.

Sierra Vista Program Expansion

The budget provides no change in funding in FY 2008 for the expansion of upper-division class offerings at community college sites in Sierra Vista, Douglas, Graham County, and outlying areas in Pima County. The FY 2007 General Appropriation Act (Laws 2006, Chapter 344) provided a one-time appropriation of \$1,200,000 in FY 2007 for the expansion. Laws 2007, Chapter 255 makes this funding permanent in FY 2008.

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.

Student and Faculty Retention

The budget provides \$10,000,000 and 91 FTE Positions from the General Fund for the new 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. UA will use its appropriation to invest in individualized and small-group student learning opportunities guided by learning specialists, teaching teams, and academic advisors. UA will also use a portion of the appropriation to recruit and retain faculty.

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.