

Arizona Board of Regents

JLBC: Leah Ruggieri
 OSPB: Judith Padres

DESCRIPTION	FY 2007 ACTUAL	FY 2008 ESTIMATE	FY 2009 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	27.9	27.9	27.9
Personal Services	1,529,400	1,683,500	1,683,500
Employee Related Expenditures	359,800	481,000	481,000
Professional and Outside Services	106,100	63,400	63,400
Other Operating Expenditures	326,100	176,200	176,200
OPERATING SUBTOTAL	2,321,400	2,404,100	2,404,100
SPECIAL LINE ITEMS			
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	2,250,000	2,250,000
Nursing Education	1,368,000	1,368,000	1,368,000
Student Financial Assistance	7,161,200	10,041,200	10,041,200
Western Interstate Commission Office	112,000	116,000	116,000
WICHE Student Subsidies	3,509,400	4,115,000	4,115,000
AGENCY TOTAL	14,775,700	20,598,000	20,598,000
FUND SOURCES			
General Fund	14,775,700	20,598,000	20,598,000
SUBTOTAL - Appropriated Funds	14,775,700	20,598,000	20,598,000
Other Non-Appropriated Funds	4,922,300	12,044,600	8,617,200
Federal Funds	923,300	1,285,700	1,251,200
TOTAL - ALL SOURCES	20,621,300	33,928,300	30,466,400

CHANGE IN FUNDING SUMMARY

	FY 2008 to FY 2009 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non Appropriated Funds	(3,461,900)	(26.0%)
Total - All Sources	(3,461,900)	(10.2%)

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 2005	FY 2006	FY 2007	FY 2009
	Actual	Actual	Actual	JLBC
• % of graduating seniors who rate their overall university experience as “good”/“excellent”	95	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.	74	75	70	77
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with professors of any rank	--	35	42	44
• 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	4.6	4.7	4.5

Operating Budget

The JLBC includes \$2,404,100 and 27.9 FTE Positions from the General Fund for the operating budget in FY 2009. This amount is unchanged from FY 2008.

Arizona Teachers Incentive Program

The JLBC includes \$90,000 from the General Fund for the Arizona Teachers Incentive Program (ATIP) in FY 2009. This amount is unchanged from FY 2008.

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 2008, 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 includes \$213,700 from the General Fund for the Arizona Transfer Articulation Support System (ATASS) in FY 2009. This amount is unchanged from FY 2008.

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 \$276,800 to the system in

FY 2007, as well as \$319,700 in FY 2008. Their projected contribution for FY 2009 is \$303,000.

Math and Science Teacher Initiative

The JLBC includes \$2,250,000 from the General Fund for the Math and Science Teacher Initiative in FY 2009. This amount is unchanged from FY 2008.

Monies in this line item are used to increase the number of math, science and special education teachers in the state. In FY 2008, 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.

Nursing Education

The JLBC includes \$1,368,000 from the General Fund for the Arizona Partnership for Nursing Education Demonstration Project (APNEDP) in FY 2009. This amount is unchanged from FY 2008. These monies do not appear in the 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 JLBC includes \$10,041,200 from the General Fund for Student Financial Assistance in FY 2009. This amount is unchanged from FY 2008.

Pursuant to A.R.S. § 15-1642, monies in this line item match financial aid tuition surcharges collected from university students. The Arizona Financial Aid Trust (AFAT) fee is 1% of the full-time resident undergraduate tuition rate, or around \$45 in FY 2008. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The JLBC would suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2009. *(Please see the Statutory Changes discussion on this agency page for additional details.)*

AFAT retains 25% of all annual receipts as an endowment. ABOR distributes the remaining monies, proportionally to each university's respective contribution, to provide immediate assistance for needy in-state students. In FY 2007, AFAT disbursed \$3,800,000 in financial aid. *(Please see Table 4 for a summary of FY 2007 financial aid distributions from all sources.)*

Western Interstate Commission Office

The JLBC includes \$116,000 from the General Fund for the Western Interstate Commission Office in FY 2009. This amount is unchanged from FY 2008.

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 includes \$4,115,000 from the General Fund for WICHE student subsidies in FY 2009. This amount is unchanged from FY 2008.

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 2008, the board provided subsidies to 203 Arizona students, compared to 183 in FY 2007. (The FY 2008 budget provided a \$544,300 increase for the program in order to allow more students to participate.) 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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FORMAT — Operating Lump Sum with Special Line Items by Agency.

FOOTNOTES

Standard Footnotes

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.

Within 10 days of the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit an expenditure plan for review by the Joint Legislative Budget Committee. 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.

Deletion of Prior Year Footnotes

The JLBC deletes the footnote that requires ABOR to submit, on or before December 1 of each year, a student retention report. In FY 2008, the 3 state universities were appropriated \$29,800,000 to improve student and faculty

retention at their respective institutions. As the student retention report submitted by ABOR on December 1, 2007 detailed the universities' strategy for allocating this appropriation to improve retention, an annual report is not required.

STATUTORY CHANGES

The JLBC would include a session law provision that would suspend in FY 2009 the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into AFAT. Based upon student fees contributed to AFAT in FY 2007, the state's match would otherwise grow to \$10,700,000, or an increase of \$658,800 over the current appropriation, in FY 2009.

University System Summary Tables

Table 1 and Table 2 summarize the JLBC FY 2009 amounts 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 2007. Of \$989.0 million total financial aid distributions in FY 2007, the state appropriated \$12.2 million and university institutional sources provided \$362.5 million.

Table 5 displays total tuition collections for the Arizona University System, an estimated \$822.7 million in FY 2008. Since the FY 2009 amounts derive from the universities' FY 2009 budget requests, these amounts would grow with the FY 2009 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 2009, ABOR allocated approximately \$472.9 million to appropriated operating budgets and \$368.4 million to non-appropriated funds.

JLBC FY 2009 Summary							
	Enrollment (FTE) ^{1/}	Appropriated Funds			Non-Appropriated Funds		Total
		General Fund	Collections Fund^{2/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR		\$ 20,598,000	\$ 0	\$ 0	\$ 1,251,200	\$ 8,617,200	\$ 30,466,400
ASU-Main	49,607	415,459,100	236,073,700	0	160,766,000	522,483,100	1,334,781,900
ASU-East	4,320	32,009,300	25,151,200	2,000,000	3,397,800	9,693,100	72,251,400
ASU-West	6,949	56,796,300	25,092,500	1,600,000	4,822,500	13,097,200	101,408,500
NAU	18,079	167,368,600	51,739,600	0	47,866,800	141,821,100	408,796,100
UA-Main	32,468	358,257,000	129,244,900	0	226,368,800	577,973,600	1,291,844,300
UA-Health Sciences	1,828	80,845,800	14,063,000	0	99,096,400	102,169,000	296,174,200
Total	113,251	\$1,131,334,100	\$481,364,900	\$3,600,000	\$543,569,500	\$1,375,854,300	\$3,535,722,800

^{1/} Enrollment here represents student populations as calculated by the part-statutory, part-conventional student enrollment funding formula, adjusted for estimated FY 2009 students who have earned credit hours in excess of the 145 credit hour threshold.

^{2/} Excludes FY 2009 tuition increase.

Summary of JLBC Changes to General Fund Budgets				
	FY 2008	Enrollment Growth	One-Time Funding	FY 2009
ABOR	\$ 20,598,000	\$ --	\$ --	\$ 20,598,000
ASU-M	416,764,800	3,944,300	(5,250,000)	415,459,100
ASU-E	25,915,900	6,093,400	--	32,009,300
ASU-W	53,604,400	3,191,900	--	56,796,300
<i>Subtotal</i>	<i>496,285,100</i>	<i>13,229,600</i>	<i>(5,250,000)</i>	<i>504,264,700</i>
NAU	160,868,800	6,499,800	--	167,368,600
UA-M	362,389,200	1,117,800	(5,250,000)	358,257,000
UA-HSC	80,954,200	(108,400)	--	80,845,800
<i>Subtotal</i>	<i>443,343,400</i>	<i>1,009,400</i>	<i>(5,250,000)</i>	<i>439,102,800</i>
Total	\$1,121,095,300	\$20,738,800	\$(10,500,000)	\$1,131,334,100

Table 3

FY 2007 and FY 2008 Tuition and Fees (\$) ^{1/}

	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

^{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.

Table 4

FY 2007 Financial Aid Distribution by Source (in thousands) ^{1/}

	<u>Federal</u>	<u>State</u> ^{2/}	<u>Institutional</u> ^{3/}	<u>Private/Other</u>	<u>Total</u>
Grants	\$ 74,062.6	\$12,168.8	\$224,538.8	\$ 74,504.1	\$385,274.3
Loans	351,163.7	400.4	37.9	109,950.2	461,552.2
Employment	<u>4,242.8</u>	<u>0.0</u>	<u>137,902.9</u>	<u>0.0</u>	<u>142,145.7</u>
Total	\$429,469.1	\$12,569.2	\$362,479.6	\$184,454.3	\$988,972.2

^{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.

Table 5

Tuition Revenue Allocation

	<u>FY 2007</u> <u>Actual</u>	<u>FY 2008</u> <u>Estimate</u>	<u>FY 2009</u> ^{1/}
<u>Appropriated</u>			
Operating Budget	\$431,748,200	\$468,441,400	\$472,945,300
<u>Non-Appropriated</u>			
Operating Budget	39,067,800	42,528,200	46,783,400
Financial Aid	205,392,300	224,099,400	227,474,000
Plant Fund	8,959,800	14,459,800	18,609,800
Debt Service	<u>69,769,400</u>	<u>73,218,000</u>	<u>75,524,600</u>
Total	\$754,937,500	\$822,746,800	\$841,337,100

^{1/} The source for these non-appropriated amounts are the universities' FY 2008 budget requests. The amounts do not account for the FY 2009 tuition increases.

SUMMARY OF FUNDS	FY 2007 Actual	FY 2008 Estimate
Federal Funds (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	923,300	1,285,700
Year-End Fund Balance	34,500	0
Mathematics, Science, and Special Education Teacher Student Loan Fund (BRA2358/A.R.S. § 15-1784)		Non-Appropriated
Source of Revenue: Legislative appropriations and repayments of principal and interest of previously issued loans.		
Purpose of Fund: To provide up to 5-year loans to eligible in-state students pursuing a teaching degree in mathematics, science, and special education at a state university and who agree to a service commitment to teach in a public school. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	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 annual distribution is \$1,368,000 to ABOR for the universities and \$2,632,000 to the Department of Commerce for the community colleges.		
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. General Fund expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0
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	792,800	1,259,300
Year-End Fund Balance	139,900	122,700
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 \$71,886,800 in FY 2007 and are estimated to be \$74,261,800 in FY 2008 and \$78,568,600 in FY 2009.		
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	1,824,700	8,462,600
Year-End Fund Balance	1,434,800	1,064,900
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. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting. Pass through funds totaled \$4,857,900 in FY 2007 and are estimated to be \$4,800,000 in FY 2008 and FY 2009.		
Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2007 Actual	FY 2008 Estimate
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Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)	Non-Appropriated	
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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 \$2,323,400 in FY 2007 and are estimated to be \$2,285,000 in both FY 2008 and FY 2009.

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	2,304,800	2,322,700
Year-End Fund Balance	37,700	0