

Arizona Board of Regents

JLBC: Leah Kritzer
 OSPB: Patrick Makin

DESCRIPTION	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	27.9	27.9	27.9
Personal Services	1,497,700	1,635,200	1,635,200
Employee Related Expenditures	488,900	448,200	448,200
Professional and Outside Services	135,700	0	0
Travel - In State	1,100	0	0
Other Operating Expenditures	274,600	315,100	315,100
OPERATING SUBTOTAL	2,398,000	2,398,500	2,398,500
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	281,700	2,000,000	2,000,000
Nursing Education	1,368,000	1,368,000	1,368,000
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	116,000	120,000	120,000
WICHE Student Subsidies	4,104,300	4,111,000	4,111,000
AGENCY TOTAL	18,612,900	20,342,400	20,342,400
FUND SOURCES			
General Fund	18,612,900	20,342,400	20,342,400
SUBTOTAL - Appropriated Funds	18,612,900	20,342,400	20,342,400
Other Non-Appropriated Funds	13,761,400	8,616,100	7,685,700
Federal Funds	1,444,400	1,290,500	1,273,200
TOTAL - ALL SOURCES	33,818,700	30,249,000	29,301,300

CHANGE IN FUNDING SUMMARY

	FY 2009 to FY 2010 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Total Appropriated Funds	0	0.0%
Non-Appropriated Funds	(947,700)	(9.6%)
Total - All Sources	(947,700)	(3.1%)

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 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2010 JLBC
• % of graduating seniors who rate their overall university experience as “good”/“excellent”	95	95	94	94
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	75	70	75	75
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with professors of any rank	35	42	38	38
• Average number of years taken to graduate for students who began as freshmen	4.6	4.7	4.6	4.6

Operating Budget

The JLBC includes \$2,398,500 and 27.9 FTE Positions from the General Fund for the operating budget in FY 2010. These amounts are unchanged from FY 2009.

Arizona Teachers Incentive Program

The JLBC includes \$90,000 from the General Fund for the Arizona Teachers Incentive Program (ATIP) in FY 2010. This amount is unchanged from FY 2009.

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 2009, ATIP distributed \$50,000 in loans among 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 2010. This amount is unchanged from FY 2009.

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 tribal colleges and community college districts overall contributed \$319,700 to the system in FY 2008, as well as \$313,400 in FY 2009. Their projected contribution for FY 2010 is \$286,600.

Math and Science Teacher Initiative

The JLBC includes \$2,000,000 from the General Fund for the Math and Science Teacher Initiative in FY 2010. This amount is unchanged from FY 2009.

Monies in this line item are used to increase the number of math, science, and special education teachers in the state. A FY 2009 General Appropriation Act footnote required ABOR to distribute \$1,750,000 for student loans to prospective math and science teachers and \$500,000 for student loans to prospective special education teachers. ABOR decreased its original appropriation of \$2,250,000 by \$(225,000) to \$2,000,000 in FY 2009 as a portion of its lump sum reduction. In FY 2008, \$1,094,400 in loans were distributed to 62 students.

Nursing Education

The JLBC includes \$1,368,000 from the General Fund for the Arizona Partnership for Nursing Education Demonstration Project (APNEDP) in FY 2010. This amount is unchanged from FY 2009. 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 2010. This amount is unchanged from FY 2009.

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 \$49 in FY 2009. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The Education Budget Reconciliation Bill for FY 2009 (Laws 2008, Chapter 287) suspends the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2009. The JLBC would eliminate this statutory requirement in FY 2010. *(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 2008, AFAT disbursed \$8,715,500 in financial aid. *(Please see Table 4 for a summary of FY 2008 financial aid distributions from all sources.)*

Western Interstate Commission Office

The JLBC includes \$120,000 from the General Fund for the Western Interstate Commission Office in FY 2010. This amount is unchanged from FY 2009.

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 \$4,111,000 from the General Fund for WICHE student subsidies in FY 2010. This amount is unchanged from FY 2009.

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 2009, the board provided subsidies to 195 Arizona students, compared to 203 in FY 2008. 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.

Tuition Increase

At its December 2008 meeting, ABOR approved FY 2010 tuition increases for the Arizona University System. The universities estimate that these FY 2010 tuition increases will generate a combined total of \$63.3 million in additional tuition collections. Of the \$63.3 million, ASU would generate \$26.6 million, NAU would generate \$3.6 million, and UA would generate \$33.1 million. *(Please see Table 1 for a summary of FY 2010 tuition increases.)*

The JLBC includes a total of \$627.9 million in appropriated university collections for FY 2010. This is an increase of \$89.8 million over FY 2009, which includes \$26.5 million in enrollment growth funding and \$63.3 million for the incremental tuition increase. *(Please see agency pages for additional details.)*

University System Summary Tables

Table 1 shows tuition and fee changes for FY 2010. *Table 2* summarizes FY 2010 expenditure authority amounts for the Arizona University System. *Table 3* shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2008. Of \$1.1 billion total financial aid distributions in FY 2008, the state appropriated \$1.9 million, university institutional sources provided \$391.7 million, and AFAT (made up of both state and institutional funds) accounted for \$8.7 million.

Table 4 displays total tuition collections for the Arizona University System, which equal an estimated \$929.4 million in FY 2009 and \$1 billion in FY 2010. The FY 2010 tuition rate increases are reflected in the appropriated tuition collections total.

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.

* * *

FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The \$2,000,000 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 if established by A.R.S. § 15-1784. Of this amount, the Arizona Board of Regents shall use \$1,500,000 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.

New Footnotes

All appropriated university monies are not to be used to implement the Centennial Scholars Program.

Deletion of Prior Year Footnotes

The JLBC would delete the footnote requiring the Arizona Board of Regents to submit an expenditure plan of tuition revenues for review by the Joint Legislative Budget Committee as estimated tuition collections for FY 2010 (including increased tuition rates) are now known.

STATUTORY CHANGES

The JLBC would:

- As permanent law, require funding for enrollment growth to be limited to Arizona residents.
- As permanent law, require all university tuition collections to be appropriated.
- As permanent law, require ABOR and the Auditor General to develop a uniform accounting and reporting system.
- As permanent law, require an annual report on invited speakers and associated costs.
- As permanent law, require both the ASU-East and ASU-West campuses to be separated as individual budget units.
- As permanent law, eliminate 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 2008, the state’s match would otherwise grow to \$12,033,600 or an increase of \$1,992,400 over the current appropriation, in FY 2010.

Table 1

FY 2009 and FY 2010 Tuition and Fees ^{1/}

	FY 2009 ^{2/}				FY 2010 ^{2/}				FY 2009 to FY 2010 Change			
	Resident		Non-Resident		Resident		Non-Resident		Resident		Non-Resident	
	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad
ASU - Main	\$5,313 to \$5,659	\$7,039	\$17,947	\$19,604	\$5,569 to \$6,250	\$7,381	\$18,835	\$20,575	\$256 to \$591	\$342	\$888	\$971
ASU East & West	\$5,099 to \$5,659	\$7,037	\$17,945	\$19,602	\$5,343 to \$6,250	\$7,378	\$18,832	\$20,572	\$244 to \$591	\$341	\$887	\$970
NAU Flagstaff	\$5,217 to \$5,446	\$5,611	\$15,546 to \$16,544	\$15,971	\$5,609 to \$6,205	\$6,119	\$16,109 to \$17,332	\$16,534	\$392 to \$759	\$508	\$788	\$563
NAU Distance Ed	\$4,850	\$5,429	\$5,364	\$15,789	\$5,161	\$5,777	\$15,767	\$16,192	\$311	\$348	\$403	\$403
UA Main & HSC	\$5,531	\$6,321	\$18,665	\$18,958	\$6,076	\$6,866	\$21,285	\$21,578	\$545	\$545	\$2,620	\$2,620
UA South	\$4,804	\$6,265	\$18,609	\$18,902	\$5,197	\$6,808	\$21,227	\$21,520	\$393	\$543	\$2,618	\$2,618

^{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.

^{2/} These amounts represent the range of tuition and fees for continuing students enrolled prior to fall 2008 to future students planning to begin in fall 2009. Beginning in fall 2008, ASU provided a guaranteed tuition rate for each cohort of resident undergraduate students on all of its campuses and NAU provided a fixed tuition rate for each cohort of undergraduate students (both resident and non-resident) on its Flagstaff campus. UA will begin providing a guaranteed tuition rate in the fall of 2009 for all of its students.

Table 2

FY 2010 Summary of Spending Authority

	Enrollment (FTE) ^{1/}	Appropriated Funds			Non-Appropriated Funds		Total ^{2/}
		General Fund	Collections Fund ^{2/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR		\$ 20,342,400	\$ 0	\$ 0	\$ 1,273,200	\$ 7,714,600	\$ 29,330,200
ASU-Main	50,876	396,428,700	289,864,800	0	175,007,400	711,708,600	1,573,009,500
ASU-East	5,222	30,489,200	34,209,100	2,000,000	3,507,200	21,367,200	91,572,700
ASU-West	7,641	53,279,700	33,551,800	1,600,000	4,939,800	9,573,100	102,944,400
NAU	19,262	161,560,900	62,327,800	0	48,694,700	140,205,200	412,788,600
UA-Main	33,142	340,316,600	187,458,300	0	224,290,100	642,247,100	1,394,312,100
UA-Health Sciences	1,948	77,996,600	20,471,200	0	97,387,300	110,695,600	306,550,700
Total	118,091	\$1,080,414,100	\$627,883,000	\$3,600,000	\$555,099,700	\$1,643,511,400	\$3,910,508,200

^{1/} Enrollment here represents student populations as calculated by the part-statutory, part-conventional student enrollment funding formula, adjusted for estimated FY 2010 students who have earned credit hours in excess of the 145 credit hour threshold.

^{2/} Includes FY 2010 tuition increase.

Table 3

FY 2008 Financial Aid Distribution by Source
(in thousands) ^{1/}

	Federal	State ^{2/}	Institutional ^{3/}	Private/Other ^{4/}	Total
Grants	\$ 79,059.3	\$1,388.8	\$247,190.8	\$104,229.0	\$ 431,867.9
Loans	365,623.6	479.7	25.7	109,183.6	475,312.6
Employment	<u>5,829.1</u>	<u>0</u>	<u>144,490.1</u>	<u>0</u>	<u>150,319.2</u>
Total	\$450,512.0	\$1,868.5	\$391,706.6	\$213,412.6	\$1,057,499.7

^{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, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

^{4/} Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

Table 4

Tuition Revenue Allocation

	FY 2008 Actual	FY 2009 Estimate	FY 2010 ^{1/}
<u>Appropriated</u>			
Operating Budget	\$457,656,100	\$538,068,500	\$627,883,000
<u>Non-Appropriated</u>			
Operating Budget	46,275,800	45,567,000	46,447,000
Financial Aid	224,610,100	251,338,400	254,199,700
Plant Fund	14,459,800	16,459,800	17,959,800
Debt Service	<u>73,968,000</u>	<u>77,989,400</u>	<u>88,543,100</u>
Subtotal	359,313,700	391,354,600	407,149,600
Total	\$816,969,800	\$929,423,100	\$1,035,032,600

^{1/} The source for these non-appropriated amounts are the universities' FY 2010 budget requests. The appropriated amount includes the FY 2010 tuition increases.

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
Arizona Health Education Center Program Fund (No Fund Number/A.R.S. § 5-522)		Non-Appropriated
Source of Revenue: Lottery proceeds.		
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 \$2,803,800 in FY 2008 and are estimated to be \$4,206,600 in FY 2009 and \$2,000,000 in FY 2010.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Fund (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	1,444,400	1,290,500
Year-End Fund Balance	17,300	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 totaling \$4 million annually from FY 2006 through FY 2010 as determined by Laws 2005, Chapter 330. Expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
Purpose of Fund: Increase the number of nurses graduating from the state's nursing education programs by increasing the number of qualified nursing education faculty members teaching in nursing degree programs operated by Arizona public universities and community colleges. Monies allocated to the universities shall be administered by the Arizona Board of Regents (ABOR), while monies allocated to the community colleges shall be administered by the Department of Commerce.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Regents Local Fund (No Fund Number1/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	1,195,000	1,527,200
Year-End Fund Balance	291,000	200,900
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 \$70,053,200 in FY 2008 and are estimated to be \$66,547,900 in FY 2009 and \$65,952,300 in FY 2010.		
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	7,471,800	2,632,200
Year-End Fund Balance	985,100	27,900

SUMMARY OF FUNDS	FY 2008 Actual	FY 2009 Estimate
------------------	-------------------	---------------------

Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)	Non-Appropriated	
--	-------------------------	--

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 \$5,085,700 in FY 2008 and are estimated to be \$4,427,800 in FY 2009 and \$4,404,700 in FY 2010.

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	5,094,600	4,456,700
Year-End Fund Balance	28,900	0

University Capital Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)	Non-Appropriated	
--	-------------------------	--

Source of Revenue: Lottery proceeds.

Purpose of Fund: To pay annual debt service payments for the \$1.0 billion university Lottery package authorized by Laws 2008, Chapter 287. The fund will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by Chapter 287.

Funds Expended	0	0
Year-End Fund Balance	0	0