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	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	27.9	25.9	25.9
Personal Services	1,474,200	1,673,900	1,602,600
Employee Related Expenditures	539,700	466,000	446,100
Travel - In State	1,700	0	0
Other Operating Expenditures	328,500	334,800	334,800
<b>OPERATING SUBTOTAL</b>	<b>2,344,100</b>	<b>2,474,700</b>	<b>2,383,500</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	364,400	176,000	176,000
Nursing Education <sup>1/</sup>	1,368,000	1,368,000	0
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	120,000	125,000	125,000
WICHE Student Subsidies	3,894,400	4,106,000	4,106,000
<b>AGENCY TOTAL</b>	<b>18,435,800</b>	<b>18,594,600</b>	<b>17,135,400</b> <sup>2/3/</sup>
<b>FUND SOURCES</b>			
General Fund	18,435,800	18,594,600	17,135,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>18,435,800</b>	<b>18,594,600</b>	<b>17,135,400</b>
Other Non-Appropriated Funds	8,556,400	7,108,900	7,281,300
Federal Funds	1,681,500	1,309,700	1,279,400
<b>TOTAL - ALL SOURCES</b>	<b>28,673,700</b>	<b>27,013,200</b>	<b>25,696,100</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.

**Operating Budget**

The budget includes \$2,383,500 and 25.9 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts fund the following adjustments:

**Statewide Adjustments**

The budget includes a decrease of \$(91,200) from the General Fund in FY 2011 for statewide adjustments. (Please see the General Provisions section.)

**Arizona Teachers Incentive Program**

The budget includes \$90,000 from the General Fund for the Arizona Teachers Incentive Program (ATIP) in FY 2011. This amount is unchanged from FY 2010.

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

<sup>1/</sup> Includes \$1,368,000 appropriated by Laws 2005, Chapter 330 for the Arizona Partnership for the Nursing Education Demonstration Project. Chapter 330 assigned ABOR the authority to distribute the amount among the universities. This advance appropriation was through FY 2010 and was not continued in FY 2011.

<sup>2/</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 for review to 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. (General Appropriation Act footnote)

<sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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 budget includes \$213,700 from the General Fund for the Arizona Transfer Articulation Support System (ATASS) in FY 2011. This amount is unchanged from FY 2010.

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 \$313,400 to the system in FY 2009, as well as \$286,600 in FY 2010. Their projected contribution for FY 2011 is \$277,200.

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

The budget includes \$176,000 from the General Fund for the Math and Science Teacher Initiative in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item are used to increase the number of math, science, and special education teachers in the state. In FY 2009, \$527,000 in loans were awarded to 116 students.

The Education Omnibus Bill (Laws 2010, Chapter 332) shifts the administrative responsibilities of the Mathematics, Science and Special Education Student Loan Fund Program from ABOR to the Commission for Postsecondary Education. The legislation allows the commission to retain up to 10% of the annual fund deposit for administration costs. The commission may also use the interest deposited into the fund for administration costs of the loan repayment portion of the program. The funding in this line item will subsequently be transferred to the commission.

### ***Nursing Education***

The budget includes no funding from the General Fund for the Arizona Partnership for Nursing Education Demonstration Project (APNEDP) in FY 2011. This amount funds the following adjustments:

#### **Elimination of Advance Appropriation**

The budget includes a decrease of \$(1,368,000) from the General Fund in FY 2011 due to the expiration of advance appropriated Nursing Education funding. Laws 2005, Chapter 330, Section 16 appropriated monies in advance

through FY 2010. No further General Fund monies are provided for this Special Line Item in FY 2011.

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. The APNEDP was set to expire at the end of FY 2010; however, Laws 2009, Chapter 92, extended the expiration date until the end of FY 2015. The General Fund appropriation, however, was not extended past FY 2010.

### ***Student Financial Assistance***

The budget includes \$10,041,200 from the General Fund for Student Financial Assistance in FY 2011. This amount is unchanged from FY 2010.

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 \$54 in FY 2010. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The Higher Education Budget Reconciliation Bill (BRB), (Laws 2009, 7<sup>th</sup> Special Session, Chapter 9) suspends the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2011.

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 2009, AFAT disbursed \$12,303,700 in financial aid. (Please see Table 4 for a summary of FY 2009 financial aid distributions from all sources.)

**Western Interstate Commission Office**

The budget includes \$125,000 from the General Fund for the Western Interstate Commission Office in FY 2011. This amount is unchanged from FY 2010.

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 includes \$4,106,000 from the General Fund for WICHE student subsidies in FY 2011. This amount is unchanged from FY 2010.

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 2010, the board provided subsidies to 191 Arizona students, compared to 195 in FY 2009. 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.

**Other**

**Other Issues**

**5% FTE Position Reduction**

Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11, Section 17 mandated a 5% General Fund FTE Position reduction by February 1, 2010. This provision required ABOR to reduce 1 General Fund FTE Position in FY 2010 and no additional General Fund FTE Positions in FY 2011. These changes have been incorporated in the agency's budget.

**Fund Transfers**

The budget includes transfers from this agency's funds to the General Fund. (Please see the Fund Transfers section at the back of this report for more details.)

**Prior Year Deferral Payment/Payment Deferral**

Laws 2009, 1<sup>st</sup> Regular Session, Chapter 5, as amended by Laws 2009, 3<sup>rd</sup> Special Session, Chapter 9, originally authorized a \$100,000,000 deferral of the FY 2009 payment to the university system into FY 2010 and continued that \$100,000,000 deferral for the FY 2010 payment until FY 2011.

Laws 2010, 7<sup>th</sup> Special Session, Chapter 1 (the General Appropriation Act) increases the deferral amount to \$200,000,000 for FY 2010 and FY 2011 university system payments, which will be paid instead in the following year. In FY 2011, the \$200,000,000 constitutes a payment deferral until FY 2012 that shall be repaid no later than October 1, 2011. The FY 2011 payment deferral amount for the universities is in proportion to the state General Fund appropriation received by each institution, as specified in the General Appropriation Act.

The FY 2009 deferral for each institution is as reported by each university. Each university received a share of the deferral based on its proportion of the state General Fund appropriation and then decided internally how to distribute the deferral among their respective campuses. These deferral amounts did not appear in the FY 2010 Appropriations Report.

The FY 2009, FY 2010 and FY 2011 payment deferrals were allocated among the universities as shown below.

	<b>FY 2009</b>	<b>FY 2010 &amp; FY 2011</b>
ASU-Tempe/DPC	\$ (36,622,300)	\$ (74,760,400)
ASU-East	(3,650,100)	(5,750,200)
ASU-West	<u>(5,026,000)</u>	<u>(10,064,800)</u>
ASU Subtotal	(45,298,400)	(90,575,400)
NAU	(15,240,800)	(30,494,800)
UA-Main	(28,048,400)	(62,153,100)
UA-HSC	<u>(11,412,400)</u>	<u>(16,776,700)</u>
UA Subtotal	(39,460,800)	78,929,800
<b>Total</b>	<b>\$(100,000,000)</b>	<b>\$(200,000,000)</b>

(Please see the agency pages for additional details.)

**American Reinvestment and Recovery Act**

The American Recovery and Reinvestment Act (ARRA) requires the U.S. Department of Education to distribute \$831,869,300 to Arizona as part of the State Fiscal Stabilization Fund (SFSF) for education programs.

A total of \$182,809,400 was distributed in FY 2010 from the SFSF for higher education programs. Of this amount, \$28,671,000 was allocated to the community colleges and \$154,138,400 to the universities. ASU received \$69,822,500, NAU received \$23,491,600, and UA received \$60,824,300. The universities are expected to receive an additional \$71,749,600 in FY 2010 and no SFSF monies in FY 2011. The following is the FY 2010 additional break-out by university: ASU \$32,501,600, NAU \$10,935,000, and UA \$28,313,000.

The budget continues a decrease of \$(10,000,000) for the universities from the General Fund in FY 2011, as related to federal stimulus funding stipulations identified in Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11, Section 15. Chapter 11 stipulates that if the state receives federal assistance from the SFSF established by ARRA, university General Fund appropriations would be reduced by a total of \$(10,000,000). The reduction was allocated as follows in the same manner that ABOR implemented universitywide reductions in FY 2009 and FY 2010: ASU \$(4,528,800), NAU \$(1,524,700), and UA \$(3,946,500). (*Please see the individual agency pages for additional details on these reductions and see more information on ARRA in the ARRA summary pages.*)

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

*Table 1* shows tuition and fee changes for FY 2011. *Table 2* shows FY 2011 Arizona University System enrollment for in-state and out-of-state students. *Table 3* summarizes FY 2011 expenditure authority amounts for the Arizona University System. *Table 4* shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2009. Of \$1,262,258,200 total financial aid distributions in FY 2009, the state appropriated \$2,804,500, university institutional sources provided \$432,949,900, and AFAT (made up of both state and institutional funds) accounted for \$12,303,700.

*Table 5* displays total tuition collections for the Arizona University System, which equal an estimated \$1,113,612,400 in FY 2010 and \$1,242,184,000 in FY 2011. The FY 2011 amount includes \$101,542,500 that accounts for the FY 2011 approved tuition increases, which are not incorporated into the individual university narratives. This \$101,542,500 amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.

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.

#### **Additional Legislation**

##### ***Tuition Waiver for Purple Heart Recipients***

Laws 2010, Chapter 135 expands eligibility for Arizona public university and Arizona community college tuition waivers to Purple Heart recipients who are or were members of the Armed Forces and were residents of or stationed in Arizona at the time of their injury and who have a disability rating at least 50% from the U.S. Department of Veterans' Affairs. The state currently grants tuition waivers to those who have received a Purple Heart citation only if they were members of the Arizona National Guard on or before September 11, 2001, or a former member of the National Guard who was medically discharged due to injury.

Table 1

FY 2010 and FY 2011 Tuition, Surcharge, and Fees <sup>1/</sup>

	FY 2010 <sup>2/</sup>				FY 2011 <sup>2/</sup>				FY 2010 to FY 2011 Change			
	Resident		Non-Resident		Resident		Non-Resident		Resident		Non-Resident	
	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad	Undergrad	Grad
ASU - Tempe/DPC	\$6,159 to \$6,840	\$7,971	\$19,625	\$21,365	\$6,942 to \$8,128	\$8,844	\$20,592	\$22,393	\$783 to \$1,288	\$873	\$967	\$1,028
ASU East & West	\$5,933 to \$6,840	\$7,971	\$19,625	\$21,365	\$6,708 to \$8,128	\$8,844	\$20,592	\$22,393	\$775 to \$1,288	\$873	\$967	\$1,028
NAU Flagstaff	\$5,681 to \$6,627	\$6,541	\$16,631 to \$17,854	\$17,056	\$5,848 to \$7,667	\$7,429	\$17,764 to \$20,067	\$18,203	\$167 to \$1,040	\$888	\$1,133 to \$2,213	\$1,147
NAU <sup>3/</sup> Distance Ed	\$5,583	\$6,199	\$16,289	\$16,714	\$6,131	\$6,929	\$17,264	\$17,703	\$548	\$730	\$975	\$989
UA Main & HSC	\$6,842	\$7,632	\$22,251	\$22,544	\$8,237	\$9,027	\$24,596	\$24,889	\$1,395	\$1,395	\$2,345	\$2,345
UA South	\$5,963	\$7,574	\$22,193	\$22,486	\$6,652	\$8,813	\$24,382	\$24,675	\$689	\$1,239	\$2,189	\$2,189

<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. An economic recovery surcharge fee was charged in FY 2010 and has been rolled into base tuition charges beginning in FY 2011.

<sup>2/</sup> 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 2010. 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) at its Flagstaff campus. UA began providing a guaranteed fixed tuition rate in the fall of 2009 for all of its students.

<sup>3/</sup> These costs do not reflect tuition and fees for NAU Yavapai, which will offer undergraduate only education beginning in FY 2011. The cost will be \$4,500 for residents and \$13,887 for non-residents.

Table 2

FY 2011 Arizona University System Enrollment <sup>1/</sup>

	<u>In-State Students</u>	<u>Out-of-State Students</u>	<u>Total Enrollment</u>
ASU-Tempe/DPC	36,855	15,293	52,148
ASU-East	4,108	873	4,981
ASU-West	5,744	892	6,636
NAU	15,695	4,423	20,118
UA-Main	20,816	11,850	32,666
UA-Health Sciences	1,606	477	2,083
<b>Total</b>	<b>84,824</b>	<b>33,808</b>	<b>118,632</b>

<sup>1/</sup> Enrollment here represents student populations as calculated by the part-statutory, part-conventional student enrollment funding formula.

Table 3

## FY 2011 Summary of Spending Authority

	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund <sup>1/</sup>	Tech & Research Fund (TRIF)	Federal Funds <sup>2/</sup>	Other Funds	
ABOR	\$ 17,230,300	\$ 0	\$ 0	\$ 1,279,400	\$ 7,281,300	\$ 25,791,000
ASU-Tempe/DPC	326,349,100	334,243,300	0	187,448,100	685,638,800	1,533,679,300
ASU-East	25,101,300	30,792,200	2,000,000	3,573,500	21,809,100	83,276,100
ASU-West	43,935,700	26,906,800	1,600,000	5,427,800	29,485,800	107,356,100
NAU	133,118,100	78,308,200	0	53,600,400	179,695,800	444,722,500
UA-Main	271,315,400	219,265,500	0	234,633,800	676,705,500	1,401,920,200
UA-Health Sciences	73,234,900	22,259,200	0	96,795,600	127,156,000	319,445,700
<b>Total</b>	<b>\$890,284,800</b>	<b>\$711,775,200</b>	<b>\$3,600,000</b>	<b>\$582,758,600</b>	<b>\$1,727,772,300</b>	<b>\$3,916,190,900</b>

<sup>1/</sup> Excludes FY 2011 tuition increase.

<sup>2/</sup> Excludes State Fiscal Stabilization Fund.

**Table 4**

**FY 2009 Financial Aid Distribution by Source**  
(in thousands) <sup>1/</sup>

	<b>Federal</b>	<b>State <sup>2/</sup></b>	<b>Institutional <sup>3/</sup></b>	<b>Private/Other <sup>4/</sup></b>	<b>Total</b>
Grants	\$ 97,153.3	\$1,935.2	\$280,209.2	\$119,847.6	\$ 499,145.3
Loans	485,819.2	869.3	12.5	117,158.3	603,859.3
Employment	<u>6,525.2</u>	<u>0.0</u>	<u>152,728.2</u>	<u>0.0</u>	<u>159,253.4</u>
<b>Total</b>	<b>\$589,497.7</b>	<b>\$2,804.5</b>	<b>\$432,949.9</b>	<b>\$237,005.9</b>	<b>\$1,262,258.0</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, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

<sup>4/</sup> Private/Other sources of aid include AFAT, which is a combination of both state and institutional sources of aid.

**Table 5**

**Tuition Revenue Allocation**

	<b>FY 2009 <u>Actual</u></b>	<b>FY 2010 <u>Estimate</u></b>	<b>FY 2011 <u>Estimate <sup>1/</sup></u></b>
<u>Appropriated</u>			
Operating Budget	\$543,596,600	\$ 684,313,000	\$ 711,775,200
<u>Non-Appropriated</u>			
Operating Budget	\$ 46,365,400	\$ 50,026,200	\$ 50,026,200
Financial Aid	251,391,700	286,925,900	286,460,700
Plant Fund	16,459,800	16,502,100	16,502,100
Debt Service	<u>77,989,400</u>	<u>75,845,200</u>	<u>75,877,300</u>
<i>Subtotal</i>	<i>\$392,206,300</i>	<i>\$ 429,299,400</i>	<i>\$ 428,866,300</i>
To Be Allocated	\$ 0	\$ 0	\$ 101,542,500
<b>Total</b>	<b>\$935,802,900</b>	<b>\$1,113,612,400</b>	<b>\$1,242,184,000</b>

<sup>1/</sup> The source for these non-appropriated amounts are the universities' FY 2011 budget requests. The appropriated amount does not account for the FY 2011 tuition increases. The \$101,542,500 amount accounts for the FY 2011 approved tuition increases, which are not incorporated into the individual university narratives. This amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.