

Arizona Board of Regents

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,008,800	1,587,500	1,587,500
Employee Related Expenditures	482,500	434,100	426,100
Travel - In State	200	0	0
Other Operating Expenditures	980,600	350,600	336,700
OPERATING SUBTOTAL	2,472,100	2,372,200	2,350,300
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	181,500	176,000	0
Nursing Education ^{1/}	1,368,000	0	0
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	125,000	125,000	125,000
WICHE Student Subsidies	4,095,500	4,106,000	4,106,000
AGENCY TOTAL	18,587,000	17,124,100	16,926,200 ^{2/3/4/}
FUND SOURCES			
General Fund	18,587,000	17,124,100	16,926,200
SUBTOTAL - Appropriated Funds	18,587,000	17,124,100	16,926,200
Other Non-Appropriated Funds	6,015,200	6,720,500	6,262,300
Federal Funds	1,964,800	1,343,600	1,306,300
TOTAL - ALL SOURCES	26,567,000	25,188,200	24,494,800

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 \$2,350,300 and 25.9 FTE Positions from the General Fund in FY 2012 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(21,900) from the General Fund in FY 2012 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2012 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2011.

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 2010, ATIP distributed

^{1/} 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 and FY 2012.

^{2/} 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)

^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{4/} In addition to these amounts, a total of \$70,100 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)

\$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 in FY 2012 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2011.

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 \$286,600 to the system in FY 2010 and are projected to contribute \$277,200 in FY 2011 and FY 2012.

Math and Science Teacher Initiative

The budget includes no funding from the General Fund in FY 2012 for the Math and Science Teacher Initiative. This funds the following adjustment:

Shift Funding to Commission For Postsecondary Education

The budget includes a decrease of \$(176,000) to shift the administrative responsibilities of the Mathematics, Science and Special Education Student Loan Fund Program from ABOR to the Commission for Postsecondary Education per the Education Omnibus Bill (Laws 2010, Chapter 332). Monies in this line item are used to increase the number of math, science, and special education teachers in the state. The program offers loans to students pursuing a teaching degree at a postsecondary institution and who agree to teach math, science, or special education at an Arizona public school upon graduation. 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.

Nursing Education

The budget includes no funding in FY 2012 for the Arizona Partnership for Nursing Education Demonstration Project. Laws 2005, Chapter 330, Section 16 appropriated monies in advance for this line item through FY 2010. Monies in this line item provided funding for Chapter 330's goal of doubling the state's annual nursing graduates between FY 2005 and FY 2010.

Student Financial Assistance

The budget includes \$10,041,200 from the General Fund in FY 2012 for Student Financial Assistance. This amount is unchanged from FY 2011.

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 \$43 - \$68 in FY 2011, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2012 Higher Education Budget Reconciliation Bill (BRB), (Laws 2011, Chapter 30) suspended 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 2010, AFAT disbursed \$14,130,800 in financial aid.

Western Interstate Commission Office

The budget includes \$125,000 from the General Fund in FY 2012 for the Western Interstate Commission Office. This amount is unchanged from FY 2011.

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 in FY 2012 for WICHE student subsidies. This amount is unchanged from FY 2011.

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 2011, the board is providing subsidies to 187 Arizona students, compared to 191 in FY 2010. 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.

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.)*

Additional Legislation

One-Time Student Deposit

The K-12 Education BRB (Laws 2011, Chapter 29) requires each university on a one-time basis to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2011.

Annual Reporting Requirement

The Higher Education BRB requires ABOR to annually report by August 1 to the Joint Legislative Budget Committee on graduation rates by university campus during the previous fiscal year and the retention rates by university campus and class during the previous fiscal year.

Funding Structure Collaboration

The Higher Education BRB requires ABOR and the universities to collaborate and recommend a funding structure that includes performance and outcome based funding, a student centered financial aid model, and a method that addresses the issue of per student funding disparities among the three universities in the FY 2013 budget submittals.

UA Healthcare Executive Order

HB 2067, which was vetoed by the Governor, would have temporarily prohibited ABOR from exercising any authority, governance, or responsibility over any nonprofit corporation that governs a hospital affiliated with UA, which refers to UA Healthcare, for 18 months. Instead, the Governor established the Arizona Medical Education Oversight Task Force by Executive Order to provide oversight of future discussions on the issue of the relationship between UA and UA Healthcare and to facilitate better communication among the parties. The task force is to conduct a review of the current process, oversee ongoing discussions, gain input from stakeholders, conduct an analysis for the academic medical center's options, and make recommendations to the Governor regarding a future course of action.

Other Issues

Payment Deferral

The budget includes \$200,000,000 from the General Fund for universitywide FY 2011 payments that were deferred until FY 2012 and includes a universitywide FY 2012 General Fund payment deferral of \$(200,000,000) until FY 2013. The payment deferral is unchanged from FY 2011. *(Please see the individual university narrative pages for more information.)*

The FY 2012 payment deferrals are allocated among the universities as follows:

ASU-Tempe/DPC	\$ (74,760,400)
ASU-East	(5,750,200)
ASU-West	<u>(10,064,800)</u>
ASU Subtotal	<u>(90,575,400)</u>
NAU	(30,494,800)
UA-Main	(62,153,100)
UA-HSC	<u>(16,776,700)</u>
UA Subtotal	<u>(78,929,800)</u>
Total	\$(200,000,000)

Lump Sum Reduction

The budget includes a reduction of \$(198,000,000) from the General Fund in FY 2012 for a universitywide lump sum reduction. *(Please see the individual university narrative pages for more information.)*

The reduction is allocated among the universities as follows:

ASU-Tempe/DPC	\$ (73,868,000)
ASU-East	(5,711,700)
ASU-West	<u>(10,375,200)</u>
ASU Subtotal	<u>(89,954,900)</u>
NAU	(30,043,600)
UA-Main	(60,706,800)
UA-HSC	<u>(17,294,700)</u>
UA Subtotal	<u>(78,001,500)</u>
Total	\$(198,000,000)

System Enrollment Funding Formula

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

Table 1

FY 2012 Summary of Spending Authority

	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR	\$ 16,926,200	\$ 0	\$ 0	\$ 1,306,300	\$ 6,262,300	\$ 24,494,800
ASU-Tempe/DPC	247,742,900	371,241,700	0	246,151,000	736,681,400	1,601,817,000
ASU-East	19,076,800	34,635,000	2,000,000	3,154,500	14,987,300	73,853,600
ASU-West	33,159,600	26,261,700	1,600,000	4,599,500	12,769,800	78,390,600
NAU	101,861,800	86,613,200	0	65,922,800	165,086,600	419,484,400
UA-Main	208,367,000	255,188,900	0	251,157,900	747,223,300	1,461,937,100
UA-Health Sciences	55,334,300	25,381,800	0	93,924,900	136,660,100	311,301,100
Total	\$682,468,600	\$799,322,300	\$3,600,000	\$666,216,900	\$1,819,670,800	\$3,971,278,600

^{1/} Excludes FY 2012 tuition increase.

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 Position is \$71,900.

Table 1 summarizes the FY 2012 expenditure authority amounts for the Arizona University System. The Collections Fund amounts for each campus includes growth due to the enrollment funding formula described above, while the General Fund amounts do not include enrollment funding formula growth.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment calculation, each campus's out-of-state students were not included in the above enrollment funding formula calculation.

Table 2 shows FY 2012 Arizona University System enrollment for in-state and out-of-state students. It is projected that ASU Tempe will grow by 78 FTE out-of-state students for a total of 14,141 in FY 2012, ASU DPC will grow by 216 for a total of 1,480, ASU East will grow by 39 for a total of 940, ASU West will decrease by (2) for a total of 841, NAU will grow by 492 for a total of 5,054, UA Main will decrease by (23) for a total of 11,500, and UA Health Sciences will decrease by (1) for a total of 419.

Other University System Summary Tables

Table 3 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2011 to FY 2012. ABOR set these amounts after the passage of the enacted budget.

Table 4 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2010. Of \$1,538,673,000 total financial aid distributions in

FY 2010, the state appropriated \$2,556,700, university institutional services provided \$523,986,800, and AFAT (made up of both state and institutional funds) accounted for \$14,130,800.

Table 5 displays total tuition collections for the Arizona University System, which equal an estimated \$1,258,243,000 in FY 2011 and \$1,486,029,400 in FY 2012. The FY 2012 amount includes \$177,067,300 that accounts for the FY 2012 approved tuition increases, which are not incorporated into the individual university narratives. The \$177,067,300 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.

Table 2

FY 2012 Arizona University System Enrollment ^{1/}

	In-State Students	Out-of-State Students	Total Enrollment
ASU-Tempe/DPC	39,661	15,621	55,282
ASU-East	4,183	940	5,123
ASU-West	5,101	841	5,942
NAU	16,478	5,054	21,532
UA-Main	22,082	11,500	33,582
UA-Health Sciences	<u>1,536</u>	<u>419</u>	<u>1,955</u>
Total	89,041	34,375	123,416

^{1/} Enrollment represents student populations as calculated by the funding formula, which includes student counts for FY 2010 – FY 2012.

Table 3

Arizona University System
FY 2011 to FY 2012 Undergraduate Tuition and Fees Changes ^{1/}

	<u>Resident ^{2/}</u>				<u>Non-Resident ^{2/}</u>			
	<u>FY 2011</u>	<u>FY 2012</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>\$ Change</u>	<u>% Change</u>
ASU-Tempe/DPC	\$6,942 to \$8,128	\$8,355 to \$9,716	\$1,413 to \$1,588	20.4% to 19.5%	\$20,592	\$22,315	\$1,723	8.4%
ASU-East/West	\$6,708 to \$8,128	\$8,077 to \$9,716	\$1,369 to \$1,588	20.4% to 19.5%	\$20,592	\$22,315	\$1,723	8.4%
NAU	\$5,848 to \$7,667	\$5,960 to \$8,824	\$112 to \$1,157	1.9% to 15.1%	\$16,946 to \$20,067	\$17,058 to \$20,179	\$112	0.6%
NAU-Distance Ed.	\$4,500 to \$6,131	\$4,803 to \$6,317	\$303 to \$186	6.7% to 3.0%	\$13,887 to \$17,264	\$14,283 to \$17,650	\$396 to \$386	2.9% to 2.2%
UofA-Main/HSC	\$8,237	\$10,035	\$1,798	21.8%	\$24,596	\$25,494	\$898	3.7%
UofA-South	\$6,652	\$7,941	\$1,289	19.4%	\$24,382	\$25,071	\$689	2.8%

^{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. Mandatory fees include AFAT and student recreation charges, but do not include special class or program fees.

^{2/} NAU provides a guaranteed tuition rate for each resident cohort. ASU and UA have no tuition guarantee.

Table 4

FY 2010 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	<u>Federal</u>	<u>State ^{2/}</u>	<u>Institutional ^{3/}</u>	<u>Private/Other ^{4/}</u>	<u>Total</u>
Grants	\$155,856.5	\$1,779.6	\$366,298.1	\$119,966.1	\$ 643,900.3
Loans	591,440.4	777.1	147.6	139,448.4	731,813.5
Employment	<u>5,418.1</u>	<u>0.0</u>	<u>157,541.1</u>	<u>0.0</u>	<u>162,959.2</u>
Total	\$752,715.0	\$2,556.7	\$523,986.8	\$259,414.5	\$1,538,673.0

^{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 5

Tuition Revenue Allocation

	<u>FY 2010</u> <u>Actual</u>	<u>FY 2011</u> <u>Estimate</u>	<u>FY 2012</u> <u>Estimate ^{1/}</u>
<u>Appropriated</u>			
Operating Budget	\$ 682,877,000	\$ 771,774,700	\$ 799,322,200
<u>Non-Appropriated</u>			
Operating Budget	\$ 50,026,200	\$ 57,743,800	\$ 57,483,800
Financial Aid	295,157,800	329,292,200	342,098,000
Plant Fund	16,502,100	18,502,100	22,778,500
Debt Service	<u>75,845,200</u>	<u>80,930,200</u>	<u>87,279,600</u>
<i>Subtotal</i>	\$ 437,531,300	\$ 486,468,300	\$ 509,639,900
To Be Allocated	\$ 0	\$ 0	\$ 177,067,300
Total	\$1,120,408,300	\$1,258,243,000	\$1,486,029,400

^{1/} The source for these non-appropriated amounts are the universities' FY 2012 budget requests. The appropriated amount does not account for the FY 2012 tuition increases. The \$177,067,300 amount accounts for the FY 2012 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.