

Arizona Board of Regents

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,008,800	1,596,400	1,596,400
Employee Related Expenditures	482,500	436,500	436,500
Travel - In State	200	0	0
Other Operating Expenditures	980,600	350,600	350,600
OPERATING SUBTOTAL	2,472,100	2,383,500	2,383,500
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	181,500	176,000	0
Nursing Education	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	17,135,400	16,959,400
FUND SOURCES			
General Fund	18,587,000	17,135,400	16,959,400
SUBTOTAL - Appropriated Funds	18,587,000	17,135,400	16,959,400
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	25,199,500	24,528,000

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 Baseline includes \$2,383,500 and 25.9 FTE Positions from the General Fund for the operating budget in FY 2012. These amounts are unchanged from FY 2011.

Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund for the Arizona Teachers Incentive Program (ATIP) in FY 2012. 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 \$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 Baseline includes \$213,700 from the General Fund for the Arizona Transfer Articulation Support System (ATASS) in FY 2012. 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 Baseline includes no funding from the General Fund for the Math and Science Teacher Initiative in FY 2012. FY 2012 adjustments would be as follows:

**Shift Funding to Commission GF FY 2012
For Postsecondary Education (176,000)**

The Baseline 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.

Student Financial Assistance

The Baseline includes \$10,041,200 from the General Fund for Student Financial Assistance in FY 2012. 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 2011 Higher Education Budget Reconciliation Bill (BRB), (Laws 2010, 7th Special Session, Chapter 9) suspended the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2011. *(Please see the Statutory Changes section for more information.)*

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 Baseline includes \$125,000 from the General Fund for the Western Interstate Commission Office in FY 2012. 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 Baseline includes \$4,106,000 from the General Fund for WICHE student subsidies in FY 2012. 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

ABOR Specific Standard Footnotes

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.

Universitywide Standard Footnotes

The appropriated monies shall not be used for scholarships or any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

Any unencumbered balances remaining in the collections account on June 30, 2011 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.

STATUTORY CHANGES

The Baseline would:

- As session law, continue to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees deposited into AFAT. Based on student fees contributed to AFAT in FY 2010, the state's match would grow to \$14,103,200 or an increase of \$4,062,000 over the current appropriation in FY 2012.
- As session law in the General Appropriation Act, continue the FY 2011 \$200,000,000 universitywide payment deferral to the universities from FY 2012 to FY 2013.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

University 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:

Academic Level	Credit Hours/FTE
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 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.

	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR	\$ 16,959,400	\$ 0	\$ 0	\$ 1,306,300	\$ 6,262,300	\$ 24,528,000
ASU-Tempe/DPC	326,349,100	371,241,700	0	246,151,000	736,681,400	1,680,423,200
ASU-East	25,101,300	34,635,000	2,000,000	3,154,500	14,987,300	79,878,100
ASU-West	43,935,700	26,261,700	1,600,000	4,599,500	12,769,800	89,166,700
NAU	133,118,100	86,613,200	0	65,922,800	165,186,600	450,840,700
UA-Main	271,315,400	255,188,900	0	251,157,900	747,223,300	1,524,885,500
UA-Health Sciences	73,234,900	25,381,800	0	93,924,900	136,660,100	329,201,700
Total	\$890,013,900	\$799,322,300	\$3,600,000	\$666,216,900	\$1,819,770,800	\$4,178,923,900

^{1/} Includes estimated FY 2012 tuition and fees.

Table 2
FY 2012 Arizona University System Enrollment ^{1/}

	<u>In-State Students</u>	<u>Out-of-State Students</u>	<u>Total Enrollment</u>
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.

Other University System Summary Tables

Table 3 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2010 to FY 2011 as FY 2012 amounts have not yet been determined.

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 \$1,308,962,100 in FY 2012.

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.

Payment Deferral

The Baseline 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 will be 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)

Table 3
Arizona University System
FY 2010 to FY 2011 Undergraduate Tuition and Fees Changes ^{1/}

	<u>Resident ^{2/}</u>				<u>Non-Resident ^{2/}</u>			
	<u>FY 2010 ^{3/}</u>	<u>FY 2011</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2010 ^{3/}</u>	<u>FY 2011</u>	<u>\$ Change</u>	<u>% Change</u>
ASU-Tempe/DPC	\$6,159 to \$6,840	\$6,942 to \$8,128	\$783 to \$1,288	12.7% to 18.8%	\$19,625	\$20,592	\$967	4.9%
ASU-East/West	\$5,933 to \$6,840	\$6,708 to \$8,128	\$775 to \$1,288	13.1% to 18.8%	\$19,625	\$20,592	\$967	4.9%
NAU	\$5,681 to \$6,627	\$5,848 to \$7,667	\$167 to \$1,040	2.9% to 15.7%	\$16,631 to \$17,854	\$17,764 to \$20,067	\$1,133 to \$2,213	6.8% to 12.4%
NAU-Distance Ed.	\$5,583	\$6,131	\$548	9.8%	\$16,289	\$17,264	\$975	6.0%
UofA-Main/HSC	\$6,842	\$8,237	\$1,395	20.4%	\$22,251	\$24,596	\$2,345	10.5%
UofA-South	\$5,963	\$6,652	\$689	11.6%	\$22,193	\$24,382	\$2,189	9.9%

^{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. A new economic recovery surcharge fee will be charged for FY 2010 only.

^{2/} NAU provides a guaranteed tuition rate for each resident cohort. ASU did provide a guaranteed tuition rate that included a 5% cap on base tuition increases each year, however, they increased tuition by more than 5% for FY 2011. UA has no tuition guarantee.

^{3/} These amounts include the economic recovery surcharge. The following economic recovery surcharges will be charged: ASU Resident \$510, ASU Non-Resident \$710, NAU Resident \$350, NAU Non-Resident \$450, UA Resident \$766, and UA Non-Resident \$966.

Furlough/Statewide Salary Reduction

The Budget Procedures BRB (Laws 2010, 7th Special Session, Chapter 3) permanently eliminated the 2.75% performance pay available to state agencies effective May 29, 2010 and required 1 furlough day in FY 2010 and 6 furlough days in each of FY 2011 and FY 2012. University employees were exempt from these Chapter 3 provisions until the end of FY 2011, but they will not be exempt in FY 2012.

ASU-Tempe/DPC	\$(21,282,400)
ASU-East	(1,480,700)
ASU-West	<u>(1,895,500)</u>
ASU Subtotal	(24,658,600)
NAU	(7,005,600)
UA-Main	(17,325,500)
UA-HSC	<u>(3,894,400)</u>
UA Subtotal	<u>(21,219,900)</u>
Total	\$(52,884,100)

As a condition of receiving federal Stabilization Fund assistance, the state agreed to maintain its General Fund support for education at FY 2006 levels through the end of FY 2011. Since the pay reduction would have reduced university budgets below the FY 2006 level, Chapter 3's implementation was deferred to FY 2012.

University pay adjustments assume that the General Fund bears the marginal cost or savings of any change. The University pay base includes both General Fund and appropriated Collection monies. For example, prior University pay raises assumed that the General Fund would pay the higher cost for Collection-funded FTE positions. This policy permitted all appropriated positions from receiving the pay adjustment without increasing tuition. This same methodology is used to derive the savings associated with the Chapter 3 pay reduction. As a result, Collection monies will not have to be transferred to the General Fund to achieve the savings.

These provisions will result in a universitywide reduction of \$(52,884,100) in FY 2012. The savings have been incorporated into the Baseline but have not been allocated to the individual campuses. The campus savings are as follows:

	<u>Federal</u>	<u>State</u> ^{2/}	<u>Institutional</u> ^{3/}	<u>Private/Other</u> ^{4/}	<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.

	<u>FY 2010</u> <u>Actual</u>	<u>FY 2011</u> <u>Estimate</u>	<u>FY 2012</u> <u>Estimate</u> ^{1/}
<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>
Subtotal	\$ 437,531,300	\$ 486,468,300	\$ 509,639,900
Total	\$1,120,408,300	\$1,258,243,000	\$1,308,962,100

^{1/} The source for these non-appropriated amounts are the universities' FY 2012 budget requests. The appropriated amount includes all FY 2012 estimated tuition collections and fees.

SUMMARY OF FUNDS	FY 2010 Actual	FY 2011 Estimate
Arizona Health Education Center Program Fund (BRA2/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 \$4,385,000 in FY 2010 and are estimated to be \$4,600,000 in FY 2011 and \$4,500,000 in FY 2012.		
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	1,964,800	1,343,600
Year-End Fund Balance	37,300	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. The Education Omnibus Bill (Laws 2010, Chapter 332) shifts the administrative responsibilities of the program from the Arizona Board of Regents (ABOR) to the Commission for Postsecondary Education and broadens the participating schools to include any qualifying postsecondary institution beginning in FY 2012.		
Funds Expended	0	0
Year-End Fund Balance	303,100	0
Nursing Education Demonstration Project Fund (EPA2514/Laws 2005, Chapter 330)		Non-Appropriated
Source of Revenue: General Fund deposits totaling \$4,000,000 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: To 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 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 (BRA1/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	2,338,100	2,050,600
Year-End Fund Balance	81,400	0
Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)		Non-Appropriated
Source of Revenue: 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 \$52,824,100 in FY 2010 and are estimated to be \$54,034,800 in FY 2011 and \$57,131,600 in FY 2012.		
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	1,359,500	1,378,600
Year-End Fund Balance	417,300	0

SUMMARY OF FUNDS	FY 2010 Actual	FY 2011 Estimate
Trust Land Fund (BRA3131/3132/3134/3136/ A.R.S. § 15-1662)		Non-Appropriated
<p>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 \$2,633,100 in FY 2010 and are estimated to be \$2,956,600 in FY 2011 and \$2,756,600 in FY 2012.</p> <p>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.</p>		
Funds Expended	2,317,600	3,291,300
Year-End Fund Balance	334,700	0