

Arizona Board of Regents

	FY 2012 ACTUAL	FY 2013 ESTIMATE	FY 2014 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,588,800	1,436,000	1,436,000
Employee Related Expenditures	443,100	521,600	521,600
Professional and Outside Services	50,500	62,400	62,400
Other Operating Expenditures	338,300	330,600	329,600
OPERATING SUBTOTAL	2,420,700	2,350,600	2,349,600
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Performance Funding	0	5,000,000	5,000,000 ^{1/2/3/4/}
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	4,106,000	4,106,000	4,106,000
AGENCY TOTAL	16,996,600	21,926,500	21,925,500 ^{5/}
FUND SOURCES			
General Fund	16,996,600	21,926,500	21,925,500
SUBTOTAL - Appropriated Funds	16,996,600	21,926,500	21,925,500
Other Non-Appropriated Funds	7,341,900	11,144,600	9,035,400
Federal Funds	365,500	1,075,900	1,005,900
TOTAL - ALL SOURCES	24,704,000	34,147,000	31,966,800

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 \$2,349,600 and 25.9 FTE Positions from the General Fund in FY 2014 for the operating budget. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(1,000) from the General Fund in FY 2014 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- ^{1/} The \$5,000,000 appropriation for performance funding shall be allocated by the Arizona Board of Regents to the 3 universities under its jurisdiction in accordance with a performance funding model to be adopted by the board that is substantially similar to what the board used in allocating the Performance Funding appropriation for FY 2013. (General Appropriation Act footnote)
- ^{2/} It is the intent of the Legislature that the Arizona Board of Regents adopt a performance funding model and report the final allocation of the \$5,000,000 performance funding lump sum appropriation on or before July 1, 2013. The formula shall be consistent with board objectives previously adopted in the board's enterprise plan. The performance funding model shall use select performance metrics that include, at minimum, the increase in degrees awarded, the increase in completed student credit hours and the increase in externally generated research and public service funding. The formula may give added weight to degrees related to science, technology, engineering and math, as well as other high-value degrees that are in short supply or are essential to the state's long-term economic development strategy. (General Appropriation Act footnote)
- ^{3/} It is further the intent of the Legislature that the Arizona Board of Regents use the adopted performance funding model in developing and submitting future budget requests for the universities under its jurisdiction, and that the Legislature use the performance funding model in the development of future fiscal year appropriations for the universities under the jurisdiction of the Arizona Board of Regents. (General Appropriation Act footnote)
- ^{4/} Within 10 days after 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)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2014 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2013.

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 2012, 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 in FY 2014 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2013.

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 \$277,200 to the system in FY 2012 and are projected to also contribute \$277,200 in both FY 2013 and FY 2014.

Performance Funding

The budget includes \$5,000,000 from the General Fund in FY 2014 for the Performance Funding Special Line Item (SLI). This amount is unchanged from FY 2013.

The FY 2013 appropriation of \$5,000,000 was distributed as follows: \$2,030,000 from ASU - Tempe/Downtown Phoenix, \$156,300 from ASU - East, \$271,700 from ASU - West, \$834,600 from NAU, and \$1,707,400 from UA - Main. While the \$5,000,000 remains part of the ABOR FY 2013 appropriation, the FY 2014 budget reallocates these monies to the university budgets, according to their FY 2013 allocation.

The FY 2014 budget appropriates a new \$5,000,000 to ABOR in FY 2014. The budget does not specify the campus distribution, but directs ABOR to allocate the funding in accordance with a performance funding model similar to the FY 2013 model.

The FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301), required ABOR and the universities to adopt a performance funding model by July 1, 2012. The model is to use performance metrics that include the increase in degrees awarded, the increase in completed student credit hours, and the increase in externally generated research and public service funding.

The formula may give added weight to degrees related to science, technology, engineering, mathematics, and other high-value degrees that are in short supply or that are essential to the state's long-term economic development strategy.

A footnote in the FY 2014 budget requires that ABOR use the adopted performance funding model in developing and submitting future budget requests for the universities under its jurisdiction, and that the Legislature use the performance funding model in the development of future fiscal year appropriations for the universities. (*See the Other Issues section for additional information.*)

Student Financial Assistance

The budget includes \$10,041,200 from the General Fund in FY 2014 for Student Financial Assistance. This amount is unchanged from FY 2013.

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 \$68 - \$91 in FY 2013, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2014 Higher Education BRB (Laws 2013, 1st Special Session, Chapter 7) suspends the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2014.

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 2012, AFAT disbursed \$13,532,100.

Western Interstate Commission Office

The budget includes \$125,000 from the General Fund in FY 2014 for the Western Interstate Commission Office. This amount is unchanged from FY 2013.

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 2014 for WICHE student subsidies. This amount is unchanged from FY 2013.

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 2013, the board is providing subsidies to 180 Arizona students, which is (7) fewer than FY 2012. 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.

The FY 2014 Higher Education BRB requires recipients of WICHE scholarship funding to repay 100% of financial aid if they fail to fulfill the requirement to work in Arizona after graduation.

Other Issues

Outstanding Lease-Purchase and Bond Balances

The FY 2014 Higher Education BRB requires that ABOR report the projected outstanding lease-purchase and bond balances for the upcoming budget year to the JLBC Staff and the Governor’s Office of Strategic Planning and Budgeting (OSPB) by November 1 of the current year.

Enrollment Report

The FY 2014 Higher Education BRB requires ABOR to modify its current student enrollment report to delineate between out-of-state and in-state full-time equivalent students (FTE).

Continued Student Deposit

The FY 2013 K-12 Education BRB (Laws 2012, Chapter 300) required each university and community college to deposit \$6 per each full-time student into the Department of Education’s Education Learning and Accountability Fund by December 1, 2012. The FY 2014 K-12 Education BRB (Laws 2013, 1st Special Session, Chapter 3) requires each university and community college to deposit \$6 per each full-time student into the fund again by December 1, 2013. This assessment is expected to generate \$795,200 from the universities and \$848,800 from the community colleges. (Please see Arizona Department of Education budget narrative for more information.)

Payment Deferral

The budget includes \$200,000,000 from the General Fund for universitywide FY 2013 payments that were deferred until FY 2014 and includes a universitywide FY 2014 General Fund payment deferral of \$(200,000,000) until FY 2015. The payment deferral is unchanged from

FY 2011. (Please see the individual university narrative pages for more information.)

The FY 2014 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	\$ (90,575,400)
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)

University System Summary Tables

Table 1 summarizes the FY 2014 expenditure authority amounts for the Arizona University System. The Collections Fund amounts for each campus includes growth, as reported by the universities, due to FY 2013 increases in tuition collections. The General Fund amounts do not include additional growth.

Table 2 shows enrollment for Arizona University System students in fall 2011, spring 2012, fall 2012 and spring 2013. ASU-Tempe enrollment increased by 50 FTE for a total of 47,514 in spring 2013, ASU DPC grew by 1,060 for a total of 10,583, ASU East increased by 362 for a total of 5,298, ASU West increased by 106 for a total of 5,943, NAU increased by 702 for a total of 22,420, UA Main increased by 1,085 for a total of 34,466, and UA Health Sciences increased by 173 for a total of 2,885. Prior to the FY 2014 budget, the university system projected enrollment was calculated 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. Enrollment information is now based on actual enrollment data.

Table 3 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2013 to FY 2014.

Table 4 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2012. Of \$1,850,370,500 total financial aid distributions in FY 2012, the state appropriated \$1,849,200, university institutional services provided \$601,199,800, and AFAT (made up of both state and institutional funds) accounted for \$13,532,100.

Table 5 displays total tuition collections for the Arizona University System, which equal an estimated \$1,583,089,800 in FY 2013 and \$1,604,049,500 in FY 2014. The FY 2014 amount includes \$74,352,100 that accounts for the FY 2014 approved tuition increases, which are not incorporated into the individual university narratives. The \$74,352,100 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 1

	FY 2014 Summary of Spending Authority					
	Appropriated Funds			Non-Appropriated Funds		
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	Total
ABOR	\$ 21,925,500	\$ 0	\$ 0	\$ 1,005,900	\$ 9,035,400	\$ 31,966,800
ASU-Tempe/DPC	270,228,200	452,685,000	0	299,009,000	714,014,400	1,735,936,600
ASU-East	22,704,200	35,590,900	2,000,000	5,311,000	37,979,200	103,585,300
ASU-West	33,328,100	40,390,200	1,600,000	8,668,000	43,319,400	127,305,700
NAU	109,245,000	107,409,100	0	76,964,400	197,733,700	491,352,200
UA-Main	208,501,000	269,918,000	0	290,148,200	854,734,100	1,623,301,300
UA-Health Sciences	69,585,300	43,920,300	0	112,351,500	172,030,900	397,888,000
Total	\$735,517,300	\$949,913,500	\$3,600,000	\$793,458,000	\$2,028,847,100	\$4,511,335,900

^{1/} Excludes FY 2014 tuition adjustments.

Table 2

	Arizona University System 45th Day Enrollment ^{1/}				
	Fall 2011	Spring 2012	Fall 2012	Spring 2013	Fall 2011 to Fall 2012 % Change
ASU-Tempe/DPC	61,123	56,987	61,375	58,097	0.4%
ASU-East	4,920	4,935	5,057	5,298	2.8%
ASU-West	5,869	5,837	6,155	5,943	4.9%
NAU	22,737	21,718	23,990	22,420	5.5%
UA-Main	35,470	33,381	36,607	34,466	3.2%
UA-Health Sciences	<u>2,612</u>	<u>2,712</u>	<u>2,772</u>	<u>2,885</u>	<u>6.1%</u>
Total	132,732	125,570	135,955	129,109	2.4%

^{1/} Enrollment includes 240 full-time equivalent students with excess credit hours in fall 2011, 395 in spring 2012, 271 in fall 2012 and 453 in spring 2013.

Table 3

**Arizona University System
FY 2013 to FY 2014 Undergraduate Tuition and Fees Changes ^{1/}**

	Resident ^{2/}				Non-Resident ^{2/}			
	FY 2013	FY 2014	\$ Change	% Change	FY 2013	FY 2014	\$ Change	% Change
ASU	\$8,740 to \$9,720	\$9,074 to \$10,002	\$264 to \$282	2.9%	\$22,973	\$23,654	\$681	3.0%
ASU-Distance Ed.	\$6,236	\$6,418	\$182	2.9%	9,236	\$9,508	\$272	2.9%
NAU	\$6,909 to \$9,271	\$7,831 to \$9,738	\$467 to \$922	5.0% to 13.3%	\$18,136 to \$21,626	\$20,231 to \$22,093	\$467 to \$2,095	2.2% to 11.6%
NAU-Distance Ed.	\$4,948 to \$6,508	\$5,097 to \$6,705	\$149 to \$197	3.0%	\$14,715 to \$18,190	\$14,864 to \$18,387	\$149 to \$197	1.0% to 1.1%
UofA-Main/HSC	\$10,035	\$10,391	\$356	3.5%	\$26,231	\$27,073	\$842	3.8%
UofA-South	\$7,941	\$8,166	\$225	2.8%	\$25,808	\$26,570	\$762	3.0%

^{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 incoming class. ASU previously had a tuition commitment rate for each incoming class, however, both ASU and UA currently do not have tuition guarantees.

Table 4

FY 2012 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	<u>Federal</u>	<u>State</u> ^{2/}	<u>Institutional</u> ^{3/}	<u>Private/Other</u> ^{4/}	<u>Total</u>
Grants	\$206,107.5	\$1,600.6	\$429,454.6	\$132,379.0	\$ 769,541.7
Loans	699,059.1	248.6	0.0	202,621.0	901,928.7
Employment	<u>7,154.9</u>	<u>0.0</u>	<u>171,745.2</u>	<u>0.0</u>	<u>178,900.1</u>
Total	\$912,321.5	\$1,849.2	\$601,199.8	\$335,000.1	\$1,850,370.5

^{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 2012</u> <u>Actual</u>	<u>FY 2013</u> <u>Estimate</u>	<u>FY 2014</u> <u>Estimate</u> ^{1/}
<u>Appropriated</u>			
Operating Budget	\$ 865,722,400	\$ 949,913,600	\$ 949,913,600
<u>Non-Appropriated</u>			
Operating Budget	\$ 94,441,900	\$ 126,842,900	\$ 133,329,700
Financial Aid	384,407,400	401,858,500	409,737,800
Plant Fund	18,502,100	18,502,100	19,002,100
Debt Service	<u>82,595,700</u>	<u>85,972,700</u>	<u>92,066,300</u>
<i>Subtotal</i>	\$ 579,947,100	\$ 633,176,200	\$ 654,135,900
Total	\$1,445,669,500	\$1,583,089,800	\$1,604,049,500

^{1/} Excludes any FY 2014 tuition adjustments.