

# Arizona Board of Regents

	FY 2013 ACTUAL	FY 2014 ESTIMATE	FY 2015 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,738,300	1,544,000	1,544,000
Employee Related Expenditures	452,900	446,000	448,900
Professional and Outside Services	20,600	21,700	21,700
Other Operating Expenditures	138,800	337,900	337,900
<b>OPERATING SUBTOTAL</b>	<b>2,350,600</b>	<b>2,349,600</b>	<b>2,352,500</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
Performance Funding	5,000,000	5,000,000	5,000,000 <sup>1/2/3/4/</sup>
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	125,000	131,000	131,000
WICHE Student Subsidies	4,095,500	4,100,000	4,100,000
<b>AGENCY TOTAL</b>	<b>21,916,000</b>	<b>21,925,500</b>	<b>21,928,400<sup>5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	21,916,000	21,925,500	21,928,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>21,916,000</b>	<b>21,925,500</b>	<b>21,928,400</b>
Other Non-Appropriated Funds	9,558,300	13,750,600	11,720,200
Federal Funds	2,509,400	1,368,500	892,300
<b>TOTAL - ALL SOURCES</b>	<b>33,983,700</b>	<b>37,044,600</b>	<b>34,540,900</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 \$2,352,500 and 25.9 FTE Positions from the General Fund in FY 2015 for the operating budget. These amounts fund the following adjustments:

## Statewide Adjustments

The budget includes an increase of \$2,900 from the General Fund in FY 2015 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

- <sup>1/</sup> The Arizona Board of Regents shall allocate the \$5,000,000 appropriation for performance funding 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 2014. (General Appropriation Act footnote)
- <sup>2/</sup> It is the intent of the Legislature that the Arizona Board of Regents adopt a performance funding model and report to the Joint Legislative Budget Committee the final allocation of the \$5,000,000 performance funding lump sum appropriation on or before July 1, 2014. The formula must be consistent with board objectives previously adopted in the board's enterprise plan. The performance funding model must use select performance metrics that include, at a 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 mathematics, 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)
- <sup>3/</sup> 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)
- <sup>4/</sup> Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents must submit an expenditure plan for review to the Joint Legislative Budget Committee. The expenditure plan must 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 must provide as much detail as the university budget requests. (General Appropriation Act footnote)
- <sup>5/</sup> 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 2015 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2014.

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 2013, 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 2015 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2014.

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 2013 and are projected to also contribute \$277,200 in both FY 2014 and FY 2015.

### **Performance Funding**

The budget includes \$5,000,000 from the General Fund in FY 2015 for the Performance Funding Special Line Item (SLI). This amount is unchanged from FY 2014 and represents a continuation of the same \$5,000,000 that was appropriated in FY 2014.

The FY 2013 appropriation of \$5,000,000 was distributed as follows: \$2,192,000 to ASU - Tempe/Downtown Phoenix, \$156,300 to ASU - East, \$271,700 to ASU - West, \$1,035,000 to NAU, and \$1,345,000 to UA - Main. While the \$5,000,000 remains part of the ABOR FY 2013 actuals, the FY 2014 budget reallocates these monies to the individual university budgets, according to their FY 2013 allocation.

The FY 2014 appropriation of \$5,000,000 was distributed as follows: \$2,348,800 to ASU - Tempe/Downtown Phoenix, \$165,300 to ASU - East, \$190,900 to ASU - West, \$1,090,000 to NAU, and \$1,205,000 to UA - Main, but is shown in the ABOR section. These amounts remain allocated in the ABOR section of the FY 2015 budget and are not allocated to the individual universities.

In summary, the FY 2013 - FY 2015 budgets provided a total increase of \$10,000,000 from the General Fund for performance funding. Of that amount, \$5,000,000 has been allocated to individual campuses and \$5,000,000 remains in ABOR.

*Background* - 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. This session law was continued in the FY 2014 Higher Education BRB (Laws 2013, 1<sup>st</sup> Special Session, Chapter 7). 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. An ongoing budget footnote requires that ABOR report the final allocation of performance funding to the JLBC by July 1 of each year.

A budget footnote 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 2015 for Student Financial Assistance. This amount is unchanged from FY 2014.

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 \$69 - \$93 in FY 2014, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2015 Higher Education BRB (Laws 2014, Chapter 16) continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2015.

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 2013, AFAT disbursed \$19,116,400.



**University System Summary Tables**

Table 1 summarizes the FY 2015 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 2014 increases in tuition collections. The General Fund amounts do not include additional growth.

Table 2 shows enrollment for Arizona University System students. Between fall 2012 and fall 2013, enrollment increased from 135,955 FTE to 140,144 FTE, or 3.1%. Spring enrollment is traditionally lower than the fall. 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 2014 to FY 2015. While NAU has maintained a guaranteed tuition model for incoming freshman over the previous 6 years, UA will begin a similar program beginning in FY 2015. ASU previously provided guaranteed tuition; however, for 10

years beginning in FY 2015, ASU will limit annual tuition growth to between 0% and 3%.

Table 4 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2013. Of \$1,922,384,600 total financial aid distributions in FY 2013, the state appropriated \$1,917,900, university institutional services provided \$622,781,100, and AFAT (made up of both state and institutional funds) accounted for \$19,116,400.

Table 5 displays total tuition collections for the Arizona University System, which equal an estimated \$1,656,523,700 in FY 2014 and \$1,758,326,500 in FY 2015. The FY 2015 amount reflects estimated student growth and does not reflect any tuition changes.

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 2015 Summary of Spending Authority**

	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund <sup>1/</sup>	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	
ABOR	\$ 21,928,400	\$ 0	\$ 0	\$ 892,300	\$ 11,720,200	\$ 34,540,900
ASU-Tempe/DPC	290,104,300	453,068,700	0	288,448,000	837,962,800	1,869,583,800
ASU-East	25,853,400	33,691,700	2,000,000	5,850,000	18,634,300	86,029,400
ASU-West	33,328,100	39,380,300	1,600,000	13,003,900	21,683,800	108,996,100
NAU	118,281,200	120,281,100	0	74,589,800	191,057,600	504,209,700
UA-Main	209,341,200	271,507,700	0	292,794,400	881,711,000	1,655,354,300
UA-Health Sciences	69,585,300	41,117,000	0	123,682,600	215,490,800	449,875,700
<b>Total</b>	<b>\$768,421,900</b>	<b>\$959,046,500</b>	<b>\$3,600,000</b>	<b>\$799,261,000</b>	<b>\$2,178,260,500</b>	<b>\$4,708,589,900</b>

<sup>1/</sup> Excludes FY 2015 tuition adjustments.

**Table 2**

**Arizona University System 45<sup>th</sup> Day Enrollment <sup>1/</sup>**

	Fall 2012	Spring 2013	Fall 2013	Spring 2014	Fall 2012 to Fall 2013 % Change
ASU-Tempe/DPC	61,375	58,097	64,393	57,177	4.9%
ASU-East	5,057	5,298	5,177	11,993	2.4%
ASU-West	6,155	5,943	6,344	5,153	3.1%
NAU	23,990	22,420	24,593	23,752	2.5%
UA-Main	36,607	34,466	36,606	35,614	0.0%
UA-Health Sciences	<u>2,772</u>	<u>2,885</u>	<u>3,031</u>	<u>3,054</u>	<u>9.3%</u>
<b>Total</b>	<b>135,955</b>	<b>129,109</b>	<b>140,144</b>	<b>136,743</b>	<b>3.1%</b>

<sup>1/</sup> Enrollment includes 271 full-time equivalent students with excess credit hours in fall 2012, 453 in spring 2013 and 355 in fall 2013.

Table 3

**Arizona University System  
FY 2015 Undergraduate and Graduate Tuition <sup>1/</sup>**

	<u>Resident Undergraduate</u>		<u>Resident Graduate</u>		<u>Non-Resident Undergraduate</u>		<u>Non-Resident Graduate</u>	
	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>	<u>Tuition</u>	<u>Increase</u>
ASU	\$10,157	1.5%	\$11,283	4.3%	\$24,503	3.6%	\$26,717	3.5%
NAU	\$9,989	2.6%	\$9,165	4.5%	\$22,509	1.9%	\$20,249	1.9%
UofA	\$10,957	5.4%	\$11,723	1.8%	\$29,421	8.7%	\$28,705	4.8%

<sup>1/</sup> Reflects tuition rates for new students at NAU and UA and all classes at ASU. NAU and UA provide a guaranteed tuition rate for each incoming class, while ASU annual tuition growth is limited to 3% through FY 2024.

Table 4

**FY 2013 Financial Aid Distribution by Source  
(\$ in Thousands) <sup>1/</sup>**

	<u>Federal</u>	<u>State <sup>2/</sup></u>	<u>Institutional <sup>3/</sup></u>	<u>Private/Other <sup>4/</sup></u>	<u>Total</u>
Grants	\$214,683.3	\$1,636.5	\$456,395.9	\$166,963.1	\$ 839,678.8
Loans	693,078.4	281.4	77.0	217,203.2	910,640.0
Employment	<u>5,757.6</u>	<u>0.0</u>	<u>166,308.2</u>	<u>0.0</u>	<u>172,065.8</u>
<b>Total</b>	<b>\$913,519.3</b>	<b>\$1,917.9</b>	<b>\$622,781.1</b>	<b>\$384,166.3</b>	<b>\$1,922,384.6</b>

<sup>1/</sup> Information provided by ABOR.

<sup>2/</sup> State sources of aid include revenues from the Commission for Postsecondary Education.

<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**

	<u>FY 2013 Actual</u>	<u>FY 2014 Estimate</u>	<u>FY 2015 Estimate <sup>2/</sup></u>
<u>Appropriated</u>			
Operating Budget	\$ 912,616,200	\$ 959,046,500 <sup>1/</sup>	\$ 993,572,200
<u>Non-Appropriated</u>			
Operating Budget	\$ 126,842,900	\$ 157,293,200	\$ 189,025,700
Financial Aid	401,858,500	427,073,700	453,880,200
Plant Fund	18,502,100	23,502,100	28,502,100
Debt Service	<u>84,773,900</u>	<u>89,608,200</u>	<u>93,346,300</u>
<i>Subtotal</i>	\$ 631,977,400	\$ 697,477,200	\$ 764,754,300
<b>Total</b>	<b>\$1,544,593,600</b>	<b>\$1,656,523,700</b>	<b>\$1,758,326,500</b>

<sup>1/</sup> This amount reflects appropriated tuition collections and fees as allocated by ABOR and favorably reviewed by the JLBC at its August 2013 meeting.

<sup>2/</sup> The source for these non-appropriated amounts are the universities' FY 2015 budget requests from October 2013. The appropriated amount includes all FY 2015 estimated tuition collections and fees at that time, but do not reflect FY 2015 tuition adjustments approved by ABOR in spring 2014.