

University of Arizona - Main Campus

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	5,393.0	5,605.5	5,606.5 ^{1/}
Personal Services	271,490,700	314,469,100	314,469,100
Employee Related Expenditures	85,849,200	97,185,400	96,724,000
Professional and Outside Services	3,242,700	4,405,900	4,405,900
Travel - In State	88,200	82,000	82,000
Travel - Out of State	631,200	74,600	74,600
Other Operating Expenditures	38,532,600	50,606,900	52,662,200
Equipment	2,980,100	1,601,800	1,601,800
OPERATING SUBTOTAL	402,814,700	468,425,700	470,019,600 ^{2/}
SPECIAL LINE ITEMS			
Agriculture	37,199,400	39,652,600	39,542,600
Arizona Cooperative Extension	14,020,500	16,136,500	16,079,500
Center for the Philosophy of Freedom	492,100	500,000	2,500,000 ^{3/}
Elimination of Payment Deferral	0	62,153,100 ^{4/}	0
Mining, Mineral and Natural Resources Educational Museum	0	0	428,300 ^{5/}
One-Time Funding	0	0	8,000,000 ^{6/}
Research Infrastructure Lease-Purchase Payment	9,593,200	9,593,600	13,978,400 ^{7/}
Sierra Vista Campus	6,227,300	7,671,300	7,660,800
AGENCY TOTAL	470,347,200	604,132,800	558,209,200 ^{8/9/}
FUND SOURCES			
General Fund	209,341,200	242,983,200	197,059,600 ^{10/11/12/}
<u>Other Appropriated Funds</u>			
University Collections Fund	261,006,000	361,149,600	361,149,600 ^{13/}
SUBTOTAL - Other Appropriated Funds	261,006,000	361,149,600	361,149,600
SUBTOTAL - Appropriated Funds	470,347,200	604,132,800	558,209,200
Other Non-Appropriated Funds	961,364,600	972,910,900	998,744,300
Federal Funds	218,280,200	222,645,800	229,509,200
TOTAL - ALL SOURCES	1,649,992,000	1,799,689,500	1,786,462,700

AGENCY DESCRIPTION — Established in 1885, The University of Arizona (UA) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). As a primary research institution, UA offers 362 degree-programs and 4 specialist programs to approximately 42,000 full- and part-time students in 39 colleges and schools at its Main Campus in Tucson. Upon its establishment, UA received the federal land grant for Arizona, allowing the creation of agricultural and mining programs that continue today. UA - South is a branch campus of the university in Sierra Vista.

^{1/} Includes 713 GF and 265.7 OF FTE Positions funded from Special Line Items in FY 2017.

^{2/} Includes \$2,000,000 appropriated by the FY 2015 Appropriation Act (Laws 2014, Chapter 18) for university operating expenditures in FY 2017.

^{3/} The appropriated amount for the Center for the Philosophy of Freedom may not supplant any existing state funding or private or external donations to the Center or the Philosophy Department of the University of Arizona. The appropriated monies and all private and external donations to the Center shall be used only for the direct operation of the Center and may not be used for indirect costs to the university. The Center shall submit a report to the President of the Senate, the Speaker of the House of Representatives, the Chairpersons of the Senate Education Committee and the House of Representatives Government and Higher Education Committee and the Director of the Joint Legislative Budget Committee on or before October 3, 2016. The report shall include at least the following for the Center: 1) The total amount of funding received from all sources, 2) A description of faculty positions and courses offered, 3) The total undergraduate and graduate student participation, 4) Significant community events, initiatives or publications.

The Chairpersons of the Senate Education Committee and the House of Representatives Government and Higher Education Committee may request the Director of the Center to appear before the Committees to report on the Center's annual achievements. (General Appropriation Act footnote)

Operating Budget

The budget includes \$470,019,600 and 4,627.8 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	\$126,361,300
University Collections Fund	343,658,300

These amounts fund the following adjustments:

Additional Resources

The budget includes an increase of \$2,055,300 from the General Fund in FY 2017 for UA - Main's share of additional university resources. *(Please see the University Additional Resources narrative in the Arizona Board of Regents (ABOR) section for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(461,400) from the General Fund in FY 2017 for statewide adjustments.

This amount reflects UA - Main's allocation of state health insurance premium costs in FY 2017 compared to its revised FY 2016 allocation. *(Please see the Health Insurance Trust Fund narrative in the ABOR section and the Agency Detail and Allocations section for more information.)*

The \$126,361,300 General Fund amount for the operating budget includes \$2,000,000 that was appropriated for FY 2017 in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18). As a result, these monies do not appear in the FY 2017 General Appropriation Act.

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

Agriculture

The budget includes \$39,542,600 and 715.6 FTE Positions in FY 2017 for the Agriculture Programs. These amounts consist of:

General Fund	28,657,300
University Collections Fund	10,885,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(110,000) from the General Fund in FY 2017 for statewide adjustments.

This line item supports agricultural academic programs in Animal Systems; Environment and Natural Resources;

- 4/ The FY 2017 General Appropriation Act includes one-time FY 2016 supplemental General Fund appropriation of \$62,153,100 for the elimination of UA - Main's share of the universitywide payment deferral.
- 5/ Laws 2016, Chapter 128 transfers \$428,300 from the General Fund and 1 FTE Position from the Arizona Historical Society to the Mining, Mineral and Natural Resources Educational Museum line item in the UA - Main budget.
- 6/ The sum of \$19,000,000 is appropriated from the state General Fund in FY 2017 to the Arizona Board of Regents for distribution for capital improvements or operating expenditures in the following amounts: 1) Arizona State University \$7,000,000, 2) Northern Arizona University \$4,000,000, 3) University of Arizona \$8,000,000. On or before August 1, 2016, the universities shall report the intended use of the monies to the Joint Legislative Budget Committee. Before any expenditure of the monies appropriated in this section for capital improvements, the universities shall submit the scope, purpose, and estimated cost of the capital improvements for review by the Joint Committee on Capital Review pursuant to A.R.S § 41-1252. (General Appropriation Act footnote)
- 7/ A.R.S. § 15-1670 appropriates \$14,253,000 from the General Fund to finance lease-purchase payments for research infrastructure projects. This amount has been adjusted by \$(274,600) by Section 134 of the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect savings from refinancing the lease-purchase payments.
- 8/ The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 10/ The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 11/ The FY 2017 General Fund budget as adjusted for statewide adjustments is \$197,059,600. This amount includes \$171,961,100 in UA - Main's individual section of the FY 2017 General Appropriation Act, \$691,800 for statewide adjustments, \$14,253,000 in A.R.S. § 15-1670 lease-purchase appropriations less \$(274,600) in savings from the refinancing of Certificates of Participation for research infrastructure in the FY 2015 General Appropriation Act, the \$2,000,000 operating budget appropriation in the FY 2015 General Appropriation Act footnote, the \$428,300 transfer of the Mining, Mineral, and Natural Resources Educational Museum from the Arizona Historical Society to the UA - Main, and a one-time \$8,000,000 appropriation in Section 149 of the FY 2017 General Appropriation Act for capital improvements or other operating expenditures.
- 12/ The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 13/ Any unencumbered balances remaining in the collections account on June 30, 2016 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. Monies 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. (General Appropriation Act footnote)

Family, Youth, and Community; Human Nutrition, Food Safety and Health; Marketing, Trade, and Economics; and Plant Systems.

Arizona Cooperative Extension

The budget includes \$16,079,500 and 186.8 FTE Positions in FY 2017 for the Arizona Cooperative Extension. These amounts consist of:

General Fund	14,379,500
University Collections Fund	1,700,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(57,000) from the General Fund in FY 2017 for statewide adjustments.

This line item supports Agriculture Experiment Stations and Cooperative Extension services that provide non-credit community outreach seminars and youth programs throughout the state.

Center for the Philosophy of Freedom

The budget includes \$2,500,000 from the General Fund in FY 2017 for the Center for the Philosophy of Freedom (CPF). This amount funds the following adjustments:

Center for the Philosophy of Freedom

The budget includes an increase of \$2,000,000 from the General Fund in FY 2017 for the direct operation of the CPF.

This line item supports the CPF, which is within the UA College of Social and Behavioral Sciences. The CPF's functions include: published research, undergraduate education, graduate education, and community outreach.

Elimination of Payment Deferral

The budget includes no funding in FY 2017 for the Elimination of Payment Deferral line item. This amount funds the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(62,153,100) from the General Fund in FY 2017 to remove a one-time payment to eliminate UA - Main's share of the universitywide payment deferral in FY 2016. *(Please see the Payment Deferral narrative in the ABOR section for more information.)*

Mining, Mineral and Natural Resources Educational Museum

The FY 2017 Agency Consolidation Budget Reconciliation Bill (BRB) (Laws 2016, Chapter 128) transfers \$428,300 and 1 FTE Position from the General Fund in FY 2017 for the Mining, Mineral and Natural Resources Educational Museum. The Agency Consolidation BRB transfers the Arizona Experience Museum from the Arizona Historical Society (AHS) to the Arizona Geological Survey, which the same legislation placed within the University of Arizona. *(Please see the Geological Survey Transfer in Other Issues.)*

The Museum is renamed the Mining, Mineral and Natural Resources Educational Museum (Museum). The Mining and Mineral Museum closed May 1, 2011 for renovations and the Department of Mines and Mineral Resources was eliminated as a state agency in FY 2012. Since that time, the Museum has not reopened but the AHS has overseen the collections and building.

This line item funds a curator and rent for the closed museum. Of the total appropriation for the Museum, \$360,800 is used to pay rent and the remaining \$67,500 funds a curator position. The Agency Consolidation BRB directs the State Geologist with the Mining, Mineral and Natural Resources Educational Museum Advisory Council to produce a report by December 31, 2018 detailing the funding needs of restoring the building as a museum and outline other possible uses. If sufficient monies are not raised by July 1, 2018 to reopen the building, the museum and monies in the account revert back to AHS. *(Please see Mining, Mineral and Natural Resources Educational Museum Transfer in Other Issues for more information.)*

One-Time Funding

The budget includes \$8,000,000 from the General Fund in FY 2017 for the One-Time Funding line item. This amount will be used for one-time capital improvements or operating expenditures.

Research Infrastructure Lease-Purchase Payment

The budget includes \$13,978,400 from the General Fund in FY 2017 for the Research Infrastructure Lease-Purchase Payment line item. This amount funds the following adjustments:

Refinance Adjustment

The budget includes an increase of \$4,384,800 from the General Fund in FY 2017 for the savings from the refinance of Certificates of Participation (COPs) for research infrastructure projects from the previous year.

Laws 2003, Chapter 267, which established A.R.S. § 15 - 1670, appropriated a total of \$34,625,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006.

The FY 2015 General Appropriation Act (Laws 2014, Chapter 18) reduced the UA research infrastructure appropriation of \$14,253,000 by \$(4,659,800) in FY 2015, \$(4,659,400) in FY 2016, and \$(274,600) in FY 2017.

The FY 2017 Higher Education BRB also amends A.R.S. § 15-1670 to revise the FY 2018 to FY 2031 research infrastructure appropriations that correspond to UA's current debt service schedule. *(Please see the Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)*

Since this funding appears in A.R.S. § 15-1670 and Laws 2014, Chapter 18, Section 134, this funding would not appear in the FY 2017 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, UA has issued \$201,300,000 in COPs.

Sierra Vista Campus

The budget includes \$7,660,800 and 75.3 FTE Positions in FY 2017 for the Sierra Vista Campus. These amounts consist of:

General Fund	2,754,800
University Collections Fund	4,906,000

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(10,500) from the General Fund in FY 2017 for statewide adjustments.

UA - South offers upper-division undergraduate programs in 16 disciplines for community college transfer students. While ABOR authorized this UA branch campus for Sierra Vista in 1995, the Legislature has not formally established the campus in statute.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, UA - Main's General Fund costs are projected to increase by \$270,900

in FY 2018 above FY 2017, increase by \$1,700 in FY 2019 above FY 2018. These estimates are based on increases in the level of state appropriations required to cover refinanced Research Infrastructure debt service costs in FY 2018 and FY 2019 relative to FY 2017. *(Please see the 2003 Research Infrastructure Refinancing narrative in the ABOR section for more information.)*

FY 2016 Supplemental

The budget includes \$1,330,700 from the General Fund in FY 2016 for a one-time supplemental for the revised allocation of health insurance premium adjustments. *(Please see the Health Insurance Trust Fund narrative in the ABOR section for more information.)*

Summary

UA - Main's FY 2017 General Fund budget is \$197,059,600. Of this amount:

- \$171,961,100 is included in UA - Main's individual section of the FY 2017 General Appropriation Act.
- \$691,800 is part of statewide adjustments.
- \$14,253,000 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$(274,600) was reduced by Section 134 of the FY 2015 General Appropriation Act for Research Infrastructure savings.
- \$2,000,000 was appropriated by a footnote in the FY 2015 General Appropriation Act.
- \$428,300 is for the transfer of the Arizona Experience Museum from AHS to UA - Main by the FY 2017 Agency Consolidation BRB.
- \$8,000,000 is a one-time appropriation in Section 149 of the FY 2017 General Appropriation Act for capital improvements or operating expenditures.

Geological Survey Transfer

The Geological Survey investigates Arizona's geology and provides technical advice and assistance to state and local government agencies, industry and other members of the public concerning the geologic environment and the development and use of mineral resources in Arizona. The Agency Consolidation BRB transfers the statutory responsibilities of the Arizona Geological Survey to the University of Arizona effective July 1, 2016. It is the intent of the Legislature that the Geological Survey maintains the current level of employees for the Arizona Geological Survey. The legislation also requires the UA to report to the JLBC by August 1, 2017 detailing the services it provides. The Agency Consolidation BRB also allows ABOR to appoint the State Geologist and does not require that

person to be registered by the Board of Technical Registration.

No General Fund funding was appropriated to the UA - Main for the Geological Survey in FY 2017. In FY 2016, the Geological Survey was appropriated \$941,000 and 10.3 FTE Positions from the General Fund for the operating budget.

The Geological Survey also had several non-appropriated and Federal Funds (formerly represented as the Geological Survey Fund, Indirect Cost Recovery Fund - GSA9000, and Federal Grants - GSA2000), which were combined into a single other non-appropriated fund, the Geological Survey Fund, within the UA - Main budget. For FY 2017, this new fund amount is projected to have expenditures of \$362,600. In addition to these monies, a Mining, Mineral and Natural Resources Educational Museum Account was added to the Geological Survey Fund for monies to be used for the museum. *(For additional detail, please see the Mining, Mineral and Natural Resources Educational Museum Account in Other Issues.)*

Mining, Mineral and Natural Resources Educational Museum Transfer

The Agency Consolidation BRB transfers the operational control of the Arizona Experience Museum to the Geological Survey, which resides within the UA. The facility is renamed the Mining, Mineral and Natural Resources Educational Museum.

The Agency Consolidation BRB effectively moves the \$428,300 from the Arizona Experience line item in the AHS budget to the UA - Main budget. The legislation also reassigns the Centennial license monies to the UA. *(See Mining, Mineral and Natural Resources Educational Museum Account for more information.)*

The Mining and Mineral Museum closed May 1, 2011 for renovations and the Department of Mines and Mineral Resources was eliminated as a state agency in FY 2012. The building was eventually renamed the Centennial Museum and then the Arizona Experience Museum but was never re-opened.

AHS managed the property and collections under their Arizona Experience Museum line item. In October 2014, AHS opened an exhibition at the Papago Park Museum utilizing a portion of the collection. The remainder of the collection remains at the former Mining and Mineral Museum's facility.

The Agency Consolidation BRB also requires the following provisions related to the transfer.

- The State Geologist, in coordination with the Mining, Mineral and Natural Resources Educational Museum Advisory Council, is required to submit a report to the Governor, the President of the Senate, and the Speaker of the House of Representatives, and to the Secretary of State by December 31, 2018.
- The report shall include whether General Fund monies are required for the continued maintenance and operations of the Museum, information relating to excess specimens, and recommendations on other beneficial uses of the building.
- The Museum will revert to AHS by July 1, 2018 if the Geological Survey has not raised sufficient funds to open and refurbish the Museum. *(For more detail on the structural concerns related to the building, please see the AHS section in the FY 2015 Appropriations Report.)*
- The UA must provide written notice to the Director of Legislative Council by July 15, 2018 whether there are adequate monies to refurbish and open the Museum facility.
- The AHS is required to fulfill existing obligations, provide a list of inventory, and assist in the transfer of the inventory.

As the operational authority, the Geological Survey is to:

- Operate and maintain the Museum as the state depository for the collection and display of mining, mineral, natural resource artifacts and specimens. The Geological Survey is also to provide maintenance for all stored or displayed artifacts and specimens.
- Adopt a collections management policy that meets national standards.
- Receive all unspent and unencumbered funds from the AHS for Museum operations.
- Use the Mining, Mineral and Natural Resources Educational Museum Account within the Arizona Geological Survey Fund for the maintenance and operations of the Museum.

Mining, Mineral and Natural Resources Educational Museum Account

The Agency Consolidation BRB also transfers all unexpended and unencumbered monies remaining in the Arizona Centennial Special Plate Fund established by A.R.S. § 28-2448 to the Mining, Mineral and Natural Resources Educational Museum Account in the Geological Survey Fund established by A.R.S. § 27-107. Ongoing

revenues will now accrue to the UA - Main, and that amount is expected to be \$142,400 annually. Monies in the account are to be used exclusively for restoration, maintenance, and operations of the Museum.

A.R.S. § 28-2448 established the centennial specialty license plate, which requires a \$25 fee. Of the \$25 fee, \$8 is for special plate administration costs, and \$17 is a donation for the Centennial Special Plate Fund. Beginning in FY 2013, permanent law required the Arizona Department of Transportation to make annual distributions of the monies in the Centennial Special Plate Fund to AHS to pay costs related to the maintenance and operations of the Centennial Museum that housed the Mining and Mineral Museum.

As of May 2016, the Centennial Special Plate Fund has collected total revenues of \$547,400 and has a balance of \$305,400. Beginning May 1, 2016, the Agency Consolidation BRB prohibits AHS from encumbering any monies deposited in the Arizona Centennial Special Plate Fund. The BRB further transfers the unencumbered monies (currently estimated at \$305,400) to the Mining, Mineral and Natural Resources Educational Museum Account in the Geological Survey Fund.

In addition to the monies collected from the Centennial Special Plate Fund, the account will also include monies collected from museum entrance fees, memberships, gift shop revenues.

University Collections and FTE Positions Adjustments

The FY 2016 General Appropriation Act (Laws 2015, Chapter 8) appropriated \$300,783,000 from the University Collections Fund to UA - Main in FY 2016. The Collections Fund for UA - Main represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections exceed the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well and a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2016 to the Joint Legislative Budget Committee in July 2015, and UA incorporated the adjusted FY 2016 amounts as part of their FY 2017 budget submission. Accordingly,

the FY 2016 amount in the budget has been adjusted upward by \$60,366,600 to \$361,149,600.

The budget also adjusts the number of FTE Positions in FY 2016 to align with General Fund and Collections Fund tuition revenue adjustments. Laws 2015, Chapter 8 originally appropriated 5,393 FTE Positions in FY 2016 for the UA - Main. The General Fund accounted for 2,306.1 FTE Positions and the University Collections Fund accounted for the remaining 3,086.9 FTE Positions. UA - Main's individual section of the budget increases the total amount of FY 2016 FTE Positions by 212.5 to 5,605.5. In addition, 1 FTE Position was transferred from AHS to UA - Main with the Agency Consolidation BRB for total appropriated positions of 5,606.5. The General Fund accounts for 1,938.7 FTE Positions and the University Collections Fund accounts for the remaining 3,667.8 FTE Positions. The total number and fund sourcing of FTE Positions significantly increased because adjustments to FTE Positions have not been made in several years.