

Arizona Board of Regents

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,547,200	1,463,800	1,463,800
Employee Related Expenditures	536,000	543,800	543,800
Professional and Outside Services	24,300	54,500	54,500
Other Operating Expenditures	3,245,000	290,400	290,400
OPERATING SUBTOTAL	5,352,500	2,352,500	2,352,500
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Performance Funding	5,000,000	5,000,000	5,000,000
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	137,000	141,000	141,000
WICHE Student Subsidies	4,094,000	4,090,000	4,090,000
AGENCY TOTAL	24,928,400	21,928,400	21,928,400
FUND SOURCES			
General Fund	24,928,400	21,928,400	21,928,400
SUBTOTAL - Appropriated Funds	24,928,400	21,928,400	21,928,400
Other Non-Appropriated Funds	8,276,700	12,454,100	9,604,000
Federal Funds	250,100	1,786,600	915,800
TOTAL - ALL SOURCES	33,455,200	36,169,100	32,448,200

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 \$2,352,500 and 25.9 FTE Positions from the General Fund in FY 2017 for the operating budget. These amounts are unchanged from FY 2016.

Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2017 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2016.

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 2015, 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 in FY 2017 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2016.

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 2015 and are projected to also contribute \$277,200 in both FY 2016 and FY 2017.

Performance Funding

The Baseline includes \$5,000,000 from the General Fund in FY 2017 for the Performance Funding line item. This amount is unchanged from FY 2016.

The FY 2016 appropriation of \$5,000,000 to ABOR was distributed as follows:

- \$2,348,800 to ASU - Tempe/Downtown Phoenix (DPC)
- \$165,300 to ASU - East
- \$190,900 to ASU - West
- \$1,090,000 to NAU
- \$1,205,000 to UA - Main

The FY 2016 performance funding allocation is identical to that of FY 2015 and FY 2014. The Baseline includes a footnote that would require ABOR to allocate these funds similar to the FY 2016 distribution.

The FY 2013 General Appropriation Act (Laws 2012, Chapter 294) included an initial \$5,000,000 for performance funding that was reallocated from university base budgets to ABOR to fund the line item. These monies were allocated as follows:

- \$2,192,000 to ASU - Tempe/DPC
- \$156,300 to ASU - East
- \$271,700 to ASU - West
- \$1,035,000 to NAU
- \$1,345,000 to UA - Main

Only the FY 2013 performance funding monies were appropriated directly to each university. They have since become part of their base budgets and therefore are not included in this line item. Another \$5,000,000 was appropriated to this line item in the FY 2014 General Appropriation Act (Laws 2013, 1st Special Session, Chapter 1) and continued in subsequent budgets. Continuing General Appropriation Act footnotes since FY 2014 have directed ABOR to allocate this additional funding in accordance with a performance funding model similar to the previous year. Unlike the first \$5,000,000 that became part of universities' base budgets, the second \$5,000,000 has been retained in ABOR's budget at the beginning of each fiscal year to be redistributed again in a manner similar to the performance funding model of the prior year.

In summary, the FY 2013 - FY 2016 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 included in

their base budgets and \$5,000,000 remains in ABOR. *(Please see the Background below and the Footnotes section for more information.)*

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. The model uses 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, and 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.

Continuing General Appropriation Act footnotes have required that:

- ABOR report the final allocation of performance funding to the JLBC by July 1 of each year;
- The allocation model be similar to that used in the previous fiscal year (which ultimately ties the funding allocation to the FY 2014 model); and
- Take into account the metrics outlined in a separate footnote stating legislative intent.

A budget footnote since FY 2014 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. In their FY 2017 budget requests, the universities did not use the performance model and instead proposed an alternate funding formula that is tied to resident student enrollment. *(Please see Resident Student Funding in the Other Issues section for more information.)*

Student Financial Assistance

The Baseline includes \$10,041,200 from the General Fund in FY 2017 for Student Financial Assistance. This amount is unchanged from FY 2016.

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 \$70-\$103 in FY 2016, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The Baseline would continue to suspend the statutory

requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2017.

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 2015, AFAT disbursed \$20,686,900. *(Please see Table 7 for additional information on financial aid.)*

Western Interstate Commission Office

The Baseline includes \$141,000 from the General Fund in FY 2017 for the Western Interstate Commission Office. This amount is unchanged from FY 2016.

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 \$4,090,000 from the General Fund in FY 2017 for WICHE student subsidies. This amount is unchanged from FY 2016.

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 currently offer programs in dentistry, optometry, occupational therapy, osteopathy, podiatry, or veterinary medicine, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities. The University of Arizona (UA) plans to begin offering a veterinary medicine degree in the 2016-2017 school year. Once UA's program is fully accredited, then Arizona students not already enrolled in a veterinarian program will be ineligible to apply for veterinary medicine subsidies through PSEP.

In FY 2016, ABOR is providing subsidies to 169 Arizona students, which is the same as FY 2015. 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 100% 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

Standard Footnotes

Performance Funding

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 2016.

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, 2016. 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 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.

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. *(ABOR did not comply with this footnote, which was also included in the FY 2016 General Appropriation Act. Instead of using its adopted performance model in submitting its FY 2017 budget request, ABOR requested state funding based on the number of resident students enrolled at each campus. The Legislature may want to consider accepting this new resident student funding model, reforming the existing performance funding model, or eliminating the*

performance funding model altogether. Please see Resident Student Funding in the Other Issues sections for more information.)

ABOR Specific

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.

Universitywide

The state General Fund appropriation may not be used for alumni association funding.

The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research.

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

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.

New Footnotes

When allocating any statewide adjustments, the Joint Legislative Budget Committee Staff shall use the overall appropriated operating budget General Fund/Tuition split for each university in determining that university's specific adjustment.

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 2015, the state's match would grow to \$27,682,000 or an increase of \$17,640,800 over the current appropriation in FY 2017.

- As session law in the General appropriation Act, continue the \$200,000,000 universitywide payment deferral to the universities from FY 2017 to FY 2018.
- As session law, continue to require community colleges and universities to transfer \$6 per pupil by December 1, 2016 for deposit into the Education Learning and Accountability Fund, but have them transfer the monies to the Arizona Department of Administration Automation Projects Fund instead of ADE in order to avoid double counting by ADE. *(Please see the Arizona Department of Education budget narrative for more information.)*
- As permanent law, modify A.R.S. § 15-1670 to reflect long-term debt service savings from refinance of research infrastructure projects, beginning in FY 2018 through FY 2031. *(Please see the 2003 Research Infrastructure Refinancing narrative in the Other Issues section for more information.)*

Other Potential Statutory Changes

The Legislature may consider revising its approach to university tuition revenues by making tuition completely appropriated or non-appropriated. If tuition revenues are treated in a uniform fashion, then the Legislature may consider requiring those monies be segregated in a tuition-only fund. *(Please see Tuition Revenues in the Other Issues section for more information.)*

Other Issues

This section includes information on the following topics:

- October 2015 Special Session and Proposition 123
- Long-Term Budget Impacts: 2003 Research Infrastructure Refinancing
- Long-Term Budget Impacts: FY 2015 Operating Increase
- Health Insurance Trust Fund - FY 2016 Supplemental
- University Additional Resources
- Resident Student Funding
- Tuition Revenues
- Payment Deferral
- 2003 Research Infrastructure Refinancing
- University System Summary Tables

October 2015 Special Session and Proposition 123

As a beneficiary of the Arizona State Land Trust, ABOR receives monies generated from lease revenues and the proceeds from land sales that are invested into “permanent funds” on behalf of the universities, pursuant to Article X, Section 7 of the Arizona Constitution.

ABOR distributes state land trust monies to the universities from 6 funds. These distributions are allocated to the universities in accordance with A.R.S. § 15-1662, 15-1663, and ABOR Policy 3-606. The universities have the discretion to spend their land trust monies as they see fit, with 1 exception: the Universities Land Fund. This fund is comprised of the University Land Code and the UA Land - 1881 Fund. All proceeds in the Universities Land Fund, including the UA Land - 1881 Fund, are distributed proportionately among the 3 universities based upon the total student credit hours in the fall semester of the previous year. The Universities Land Fund supports the Eminent Scholars program, which provides matching funds for the annual earnings on university endowments to attract and retain faculty.

As shown below in *Table 1*, ABOR received \$2,139,100 in monies distributed from university permanent funds in FY 2015.

Table 1
State Land Trust Distributions: Universities ^{1/}

Fund	FY 2015: 2.5% Distribution	FY 2016: Additional Funds under Prop 123
Military Institute	\$ 12,800	\$ 24,600
Normal Schools	82,100	163,600
A&M Colleges	228,000	443,300
School of Mines ^{2/}	258,000	501,200
Universities Land Fund	1,558,200	3,318,000
<i>University Land Code</i>	<i>429,000</i>	<i>851,300</i>
<i>U of A Land - 1881 Fund</i>	<u><i>1,129,200</i></u>	<u><i>2,466,700</i></u>
Total	\$2,139,100	\$4,450,700

^{1/} Excludes income from the rental/lease of the Universities’ state land trust property.
^{2/} Only the University of Arizona receives monies from the School of Mines Fund.

Conditional upon voter approval in May 2016, Proposition 123 would increase the annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

As a result, ABOR would receive \$4,450,700 in additional funding beyond what it otherwise would in FY 2016 if the ballot proposition is approved.

(Please see the Department of Education – Endowment Earnings section for more information.)

Long-Term Budget Impacts: 2003 Research Infrastructure Refinancing

Beyond FY 2017 Baseline changes, the JLBC Staff estimates ABOR General Fund costs to increase by \$3,698,800 in FY 2018 over FY 2017 and remain fairly constant between FY 2019 and FY 2031. The additional FY 2018 costs include an increase for 2003 Research Infrastructure Financing payments. These payments were refinanced in FY 2014; most savings occurred in FY 2015 through FY 2017. *(Please see 2003 Research Infrastructure Refinancing for more information.)*

Long-Term Budget Impacts: FY 2015 Operating Increase

The FY 2015 budget increased General Fund support for university operations by \$4.5 million. Of that amount, ASU received \$2.0 million, NAU \$500,000, and UA \$2.0 million. A footnote in the FY 2015 General Appropriation Act continued this appropriation in FY 2016 and FY 2017.

The 3-year spending plan associated with the FY 2017 Baseline assumes continuation of this \$4.5 million appropriation in FY 2018 and FY 2019.

Health Insurance Trust Fund - FY 2016 Supplemental

The Health Insurance Trust Fund (HITF) is used to administer state employee health insurance benefit plans. Funding consists of employer and employee medical and dental insurance contributions. At the end of FY 2015, HITF had a balance of \$339,800,800. Recent budgets have included a number of measures to reduce the HITF balance.

One method to reduce the HITF balance is to adjust the employer/employee contribution strategy. Because of the recent trend of HITF receipts exceeding annual costs, the FY 2016 budget included \$(16,200,000) of statewide General Fund savings related to reducing state agency health insurance contribution rates.

In calculating the reduction allocations to the agencies, the JLBC Staff used ADOA employer premium contribution rate estimates for calendar year 2016 as well as payroll data, which outlined the percentage of total health insurance premiums paid by the General Fund for each agency. The total General Fund reduction to the Universities was \$(6,055,600). *(Please see Table 2 above for the FY 2016 General Fund reduction by university.)*

Table 2**University HITF General Fund Reductions FY 2016-FY 2017**

	Budgeted FY 2016 Reductions	Revised FY 2016 Reductions	FY 2016 Supplemental (Difference)	Revised FY 2017 Reductions
Arizona State University	\$(3,402,200)	\$(1,119,000)	\$2,283,200	\$(2,238,000)
Northern Arizona University	(61,800)	(21,600)	40,200	(43,200)
University of Arizona	<u>(2,591,600)</u>	<u>(839,000)</u>	<u>1,752,600</u>	<u>(1,678,000)</u>
University Total	\$(6,055,600)	\$(1,979,600)	\$4,076,000	\$(3,959,200)

After further review, however, the JLBC Staff determined that the payroll data overstated the percentage of university health insurance premiums paid by the General Fund. The FY 2017 Baseline proposes to lower the total General Fund reduction from \$(6,055,600) to \$(1,979,600) in FY 2016 based on the Universities' self-reported allocation of health care contributions between the General Fund and Tuition and Other Funds.

Using the Universities' fund splits would restore General Fund monies to the Universities by \$4,076,000. As a result, the Baseline includes a recommended FY 2016 supplemental appropriation of \$4,076,000 from the General Fund to the Universities. To make the issue budget neutral from a General Fund perspective, the Baseline also proposes to transfer \$4,076,000 from HITF to the General Fund.

Because the state's health insurance plans operate on a calendar year basis, the \$(1,979,600) savings for 6 months of FY 2016 will be \$(3,959,200) for the full year of FY 2017. Those annualized savings will appear as a back of the bill adjustment.

Moving forward, the JLBC Staff proposes adding language to the budget that would indicate any additional back of bill adjustments would be determined using the overall operating budget General Fund/Tuition split rather than the Universities' Employee Related Expenses (ERE) allocations.

(Please see the HITF section in the Arizona Department of Administration narrative for more information.)

University Additional Resources

The 3-year spending plan associated with the enacted FY 2016 budget included \$8.2 million from the General Fund in FY 2017 for additional resources. Each university will receive funding proportionate to the university system reduction in FY 2016. The additional funding will be allocated as follows:

ASU - Tempe/DPC	\$3,745,500
ASU - East	298,000
ASU - West	<u>367,500</u>
<i>ASU Subtotal</i>	<i>\$4,411,000</i>
NAU	\$1,433,200
UA - Main	\$2,314,300
UA - HSC	<u>41,500</u>
<i>UA Subtotal</i>	<i><u>\$2,355,800</u></i>
Total	\$8,200,000

Resident Student Funding

Contrary to a FY 2016 General Appropriation Act footnote, ABOR did not use its adopted performance funding model in developing and submitting the universities' FY 2017 budget requests. Instead, ABOR has requested state funding based on the number of resident students enrolled at each campus.

ABOR states that in FY 2016, the average education cost per resident undergraduate student at a state university is \$15,600, of which the state General Fund is estimated to contribute \$5,300 per student, tuition and fees cover \$6,600, and the universities pay the remaining \$3,700. The Universities primarily cover this amount by charging non-resident students tuition and fees beyond the average education cost.

ABOR is requesting additional state funding to increase the state share of resident students, with a goal that the state would eventually bear 50% of the total educational costs. For existing resident students, ABOR proposes to increase the state share from 34% to 38% at a cost of \$57.4 million in FY 2017. For new resident students, the state share would rise to 50% at a cost of \$10.3 million in FY 2017.

In addition, ABOR is proposing \$200 in state support per resident student on an ongoing basis for facility maintenance and operations. This component would cost \$19.1 million in FY 2017.

Arizona and 36 states have or will eventually have a performance-based model that finances some or all of higher education operations. Given the significant interest in the performance-based model and the multitude of frameworks found in other states, the Legislature may want to evaluate the feasibility of reforming the existing performance-funding model, including how it is financed.

Tuition Revenues

To improve transparency, the Legislature may consider adopting a uniform approach in the FY 2017 budget and either appropriate all or none of tuition.

Total FY 2016 tuition and fees are projected to be \$2.1 billion. Of this amount, \$1.2 billion is appropriated while \$948.3 million is non-appropriated. Statute allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR pursuant to A.R.S. § 15-1626A. These “locally” retained tuition monies are considered non-appropriated. Any remaining tuition collections are part of the appropriated budget. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses appear in both appropriated and non-appropriated budgets.

Either full appropriation or full non-appropriation would make tuition collections more transparent since they would no longer be split as locally retained (non-appropriated) and appropriated. The appropriation of all tuition would require flexibility to account for variance between the projected tuition and actual collections. If tuition were entirely non-appropriated, the universities would reduce administrative costs of the current split approach. The state would lose the interest generated when the tuition funds flow to the state before returning to the individual university for use. The interest generated from the 3 universities’ appropriated tuition in FY 2014, when this issue was last reviewed, was \$218,500.

If non-appropriated, the JLBC Staff recommends that the university fund structure be made more transparent. The locally retained tuition monies are currently in funds labeled as “Designated” funds. The Designated Fund for each university includes the retained tuition and fees as

well as monies from other sources. The Legislature may consider requiring tuition and fees to be retained in 1 fund and labeled as such.

Payment Deferral

The Baseline includes \$200,000,000 from the General Fund for universitywide FY 2016 payments deferred until FY 2017 and includes a universitywide FY 2017 General Fund payment deferral of \$(200,000,000) until FY 2018. The payment deferral has been unchanged since FY 2011.

The FY 2017 payment deferrals would 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	\$ (90,575,400)
NAU	\$ (30,494,800)
UA - Main	\$ (62,153,100)
UA - HSC	<u>(16,776,700)</u>
UA Subtotal	\$ (78,929,800)
Total	<u>\$(200,000,000)</u>

2003 Research Infrastructure Refinancing

Laws 2003, Chapter 267 appropriated for FY 2008 to FY 2031 monies for lease-purchase capital financing of research infrastructure projects such as installations and facilities for continuance and growth of scientific and technological research activities at the university to the respective universities each year.

The Baseline includes an increase of \$3.9 million from the General Fund in FY 2017 to amend research infrastructure lease-purchase payments to their actual debt service obligations. ABOR refinanced the Certificates of Participation (COPs) for the 2003 research infrastructure appropriation, resulting in total savings across all 3 universities of \$(5.6) million in FY 2015, \$(8.1) million in FY 2016 and \$(4.3) million in FY 2017. The \$3.9 million increase reflects the additional costs in FY 2017 beyond that of FY 2016. Since Section 134 of the FY 2015 General Appropriation Act reduced individual campus appropriations by these amounts through FY 2017, the

Table 3

Adjustments to Appropriation for Refinance of University Research Infrastructure Facilities

	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017 Adjustment</u>	<u>FY 2017</u>
ASU	\$ (522,600)	\$(3,045,900)	\$ 716,100	\$(2,329,800)
NAU	(408,500)	(406,800)	(1,246,400)	(1,653,200)
UA	(4,659,800)	(4,659,400)	4,384,800	(274,600)
Total	<u>\$(5,590,900)</u>	<u>\$(8,112,100)</u>	<u>\$3,854,500</u>	<u>\$(4,257,600)</u>

additional savings would not need to appear in the FY 2017 General Appropriation Act. Due to Section 134, the General Fund amounts are adjusted by \$716,100 for ASU, \$(1,246,400) for NAU, and \$4,384,800 for UA. (Please see Table 3 above for more information.)

The Baseline would adjust the original debt service appropriation for FY 2018 through FY 2031 to reflect lower debt service payments as a result of the refinance. The average annual savings of the new proposed debt service appropriation for all remaining payments compared to the original appropriation is \$(544,900). The majority of the savings would come from NAU. (Please see Capital Outlay - Arizona Board of Regents section for additional information.)

University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority
- Tuition Distribution
- Tuition Rates
- Financial Aid
- Enrollment

Total Spending Authority

In total, the Universities' total projected spending authority in FY 2017 is \$5.25 billion, including \$672.9 million from the General Fund and \$2.18 billion of tuition/fee collections. This latter amount is not adjusted for any FY 2017 tuition rate changes. Table 4 summarizes the FY 2017 expenditure authority amounts for the Arizona University System.

Distribution of Tuition

A.R.S. § 15-1626 authorizes ABOR to allocate tuition monies between the appropriated operating budgets,

under legislative control, and non-appropriated funds, locally retained by the universities. The latter includes financial aid, facilities (plant fund), debt service, and some of their operating budget. Total tuition collections for the Arizona University System equal an estimated \$2.13 billion in FY 2016 and \$2.18 billion in FY 2017 (see Table 5). The FY 2017 amount is not adjusted for any FY 2017 tuition rate changes.

Tuition Rates

ABOR approved FY 2016 tuition rates on May 4, 2015.

- Over the previous 7 years, NAU has maintained a guaranteed tuition model for incoming freshman. NAU is increasing undergraduate resident tuition by 3.7% for new students.
- UA began a similar program in FY 2015. The rates for new students will increase, but current students can opt-in at the FY 2015 rates. UA is increasing undergraduate resident tuition by 4.1% for new students.
- For FY 2016, ASU resident undergraduate students did not see a tuition increase, but will be charged a \$320 tuition surcharge fee (representing a 3.2% increase to tuition and mandatory fees).

Table 6 only includes major tuition categories. A comprehensive list can be found on the [ABOR website](#).

Financial Aid

The Arizona University System distributed \$2.2 billion in financial aid in FY 2015. Of the \$2.2 billion total financial aid distributions in FY 2015, the federal government financed \$986 million and university institutional sources provided \$744 million. The latter includes tuition collections set aside for financial aid. (Please see Table 7 for details.)

	Appropriated Funds			Non-Appropriated Funds		Total
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds ^{2/}	
ABOR	\$ 21,928,400	\$ 0	\$ 0	\$ 915,800	\$ 9,604,000	\$ 32,448,200
ASU-Tempe/DPC	243,651,000	551,220,900	0	286,349,700	1,066,208,200	2,147,429,800
ASU-East	22,460,700	35,722,900	2,000,000	8,377,200	20,447,300	89,008,100
ASU-West	29,121,600	44,241,400	1,600,000	12,608,400	53,429,200	141,000,600
NAU	101,104,400	145,286,600	0	82,890,700	237,598,400	566,880,100
UA-Main	186,198,500	361,149,600	0	229,325,000	998,423,500	1,775,096,600
UA-Health Sciences	68,435,000	44,053,800	0	97,536,300	287,239,200	497,264,300
Total	\$672,899,600	\$1,181,675,200	\$3,600,000	\$718,003,100	\$2,672,949,800	\$5,249,127,700

^{1/} Appropriated share of tuition and mandatory registration fees comprise \$1,167,985,600 of the total Collections Fund spending authority. The remaining authority is derived from miscellaneous fees. This amount excludes FY 2017 tuition rate changes.

^{2/} Expenditures of non-appropriated tuition and mandatory registration fees for debt service and building maintenance are excluded from the Other Funds amounts, which ultimately understates the estimated total university system spending authority for FY 2017. The total expenditures of non-appropriated tuition are estimated to be \$1,000,315,300 in FY 2017 and are reflected in Table 5. This amount excludes FY 2017 tuition rate changes.

Enrollment

Between fall 2014 and fall 2015, university enrollment increased from 146,611 FTE to 157,847, or 7.7%, as displayed in *Table 8*. Spring enrollment is traditionally lower than the fall.

Tuition Revenue Allocation			
	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Appropriated			
Operating Budget	\$1,022,249,500	\$1,181,675,200 ^{1/}	\$1,181,675,200 ^{2/}
Non-Appropriated ^{3/}			
Operating Budget	\$ 204,303,400	\$ 279,041,800	\$ 300,617,200
Financial Aid	468,836,100	545,622,700	572,183,500
Plant Fund	33,463,300	30,768,700	32,987,700
Debt Service	<u>86,312,800</u>	<u>92,826,900</u>	<u>94,526,900</u>
Subtotal	\$ 792,915,600	\$ 948,260,100	\$1,000,315,300
Total	\$1,815,165,100	\$2,129,935,300	\$2,181,990,500

^{1/} This amount reflects appropriated tuition collections and fees as allocated by ABOR and favorably reviewed by the JLBC at its December 2015 meeting.

^{2/} The appropriated tuition and fees amount is the FY 2016 amount carried forward and does not reflect FY 2017 tuition adjustments that will be considered by ABOR in the spring of 2016.

^{3/} The source for these non-appropriated amounts are the universities' FY 2017 budget requests from October 2015.

	Arizona University System FY 2016 Undergraduate and Graduate Tuition ^{1/}							
	Resident Undergraduate		Resident Graduate		Non-Resident Undergraduate		Non-Resident Graduate	
	Tuition	Increase	Tuition	Increase	Tuition	Increase	Tuition	Increase
ASU	\$10,478 ^{2/}	3.2%	\$11,604	2.8%	\$25,458 ^{3/}	3.9%	\$27,760	3.9%
NAU	\$10,358	3.7%	\$9,606	4.8%	\$23,348	3.7%	\$21,244	4.9%
UA	\$11,403	4.1%	\$12,048	2.8%	\$32,630	10.9%	\$30,370	5.8%

^{1/} 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, whereas ASU does not.

^{2/} ASU resident undergraduate tuition rate did not change; however a \$320 one-year temporary fee was assessed on this student population.

^{3/} ABOR approved a rate of \$26,584 for international undergraduate students at ASU.

Table 7

FY 2015 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	\$245,493.1	\$1,018.3	\$560,972.0	\$201,759.5	\$1,009,242.9
Loans	733,679.4	147.3	41.5	266,130.9	999,999.1
Employment	<u>7,172.1</u>	<u>0.0</u>	<u>183,475.0</u>	<u>0.0</u>	<u>190,647.1</u>
Total	\$986,344.6	\$1,165.6	\$744,488.5	\$467,890.4	\$2,199,889.0 ^{5/}

^{1/} Information provided by ABOR.
^{2/} State sources of aid include revenues from the Commission for Postsecondary Education.
^{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.
^{5/} Numbers do not add due to rounding.

Table 8

Arizona University System 45th Day Enrollment ^{1/}

	<u>Fall 2014</u>	<u>Spring 2015</u>	<u>Fall 2015</u>	<u>Fall 2014 to Fall 2015 % Change</u>
ASU-Tempe/ DPC	68,612	66,770	73,926	7.7%
ASU-East	5,687	5,744	6,565	15.4%
ASU-West	6,610	7,282	7,992	20.9%
NAU	25,743	24,865	27,212	5.7%
UA-Main	37,131	36,672	38,593	3.9%
UA-Health Sciences	<u>2,828</u>	<u>3,343</u>	<u>3,559</u>	<u>25.8%</u>
Total	146,611	144,676	157,847	7.7%

^{1/} Adjusted FTE does not include students with excess credit hours.

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 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 \$4,746,900 in FY 2015 and are expected to be \$4,841,800 in FY 2016 and \$4,955,500 in FY 2017.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Federal Funds (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	250,100	1,786,600
Year-End Fund Balance	16,900	32,900

SUMMARY OF FUNDS	FY 2015 Actual	FY 2016 Estimate
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	1,991,600	2,992,500
Year-End Fund Balance	737,400	1,164,400
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 \$68,142,300 in FY 2015 and are estimated to be \$63,512,200 in FY 2016 and \$63,500,000 in FY 2017.		
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	1,616,900	4,850,100
Year-End Fund Balance	2,837,900	0
Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)		Non-Appropriated
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 \$4,668,200 in FY 2015 and are estimated to be the same in FY 2016 and FY 2017.		
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 the individual campuses' University Collections Funds, which reflect those monies.		
Funds Expended	4,668,100	4,611,500
Year-End Fund Balance	0	0