
Universities

January 26-27, 2016

Appropriations Committee Hearings

JLBC

Revised 1/27/16

Arizona University System - Total '17 Baseline Spending

	<u>\$ in M</u>
General Fund	\$672.9
TRIF Fund	3.6
Appropriated Tuition	1,181.7
<u>Non-Appropriated Funds</u>	
Non-Appropriated Tuition	1,000.3
Designated Fund	672.1
Federal Grants	718.0
Auxiliary Fund (dorms, bookstore, union, athletics)	451.8
Restricted Fund	441.3
Other Non-Appropriated Funds	<u>107.4</u>
Total Resources	\$5,249.1

'16 Reduction More than Offset by Tuition Increases

- Total GF / Tuition Spending up 4.7%

	Change from '15 (in \$M)			
	<u>GF</u>	<u>Tuition</u>	<u>Total</u>	<u>% Change</u>
ASU	(59)	157	98	7.1%
NAU	(17)	28	11	3.0%
UA	(31)	48	17	1.8%
Total	(108)	233	125	4.7%

- ❑ Universities cut by \$(99) M plus another \$(10) M for technical factors
- ❑ Universities increased tuition by \$233 M
- ❑ Net General Fund / tuition increase of 4.7%, compared to 7.7% enrollment growth
- ❑ Excludes other fund sources such as research, which grew 5.0%

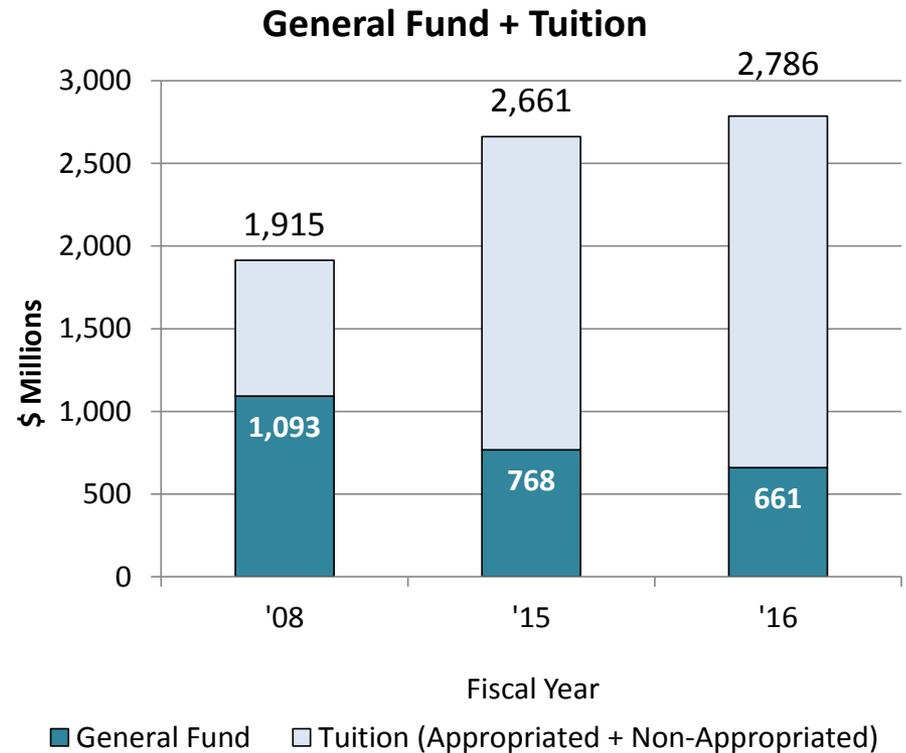
Non-Resident Students Saw Steeper '16 Tuition Increases

	<u>Resident Undergraduate</u>		<u>Non-Resident Undergraduate</u>	
	<u>'16 Tuition</u>	<u>Annual Increase</u>	<u>'16 Tuition</u>	<u>Annual Increase</u>
ASU	\$10,478	3.2%	\$25,458	3.9%
NAU	\$10,358	3.7%	\$23,348	3.7%
UA	\$11,403	4.1%	\$32,630	10.9%

- Only ASU has an international student rate, which is \$27,258 in '16, an 11.2% increase

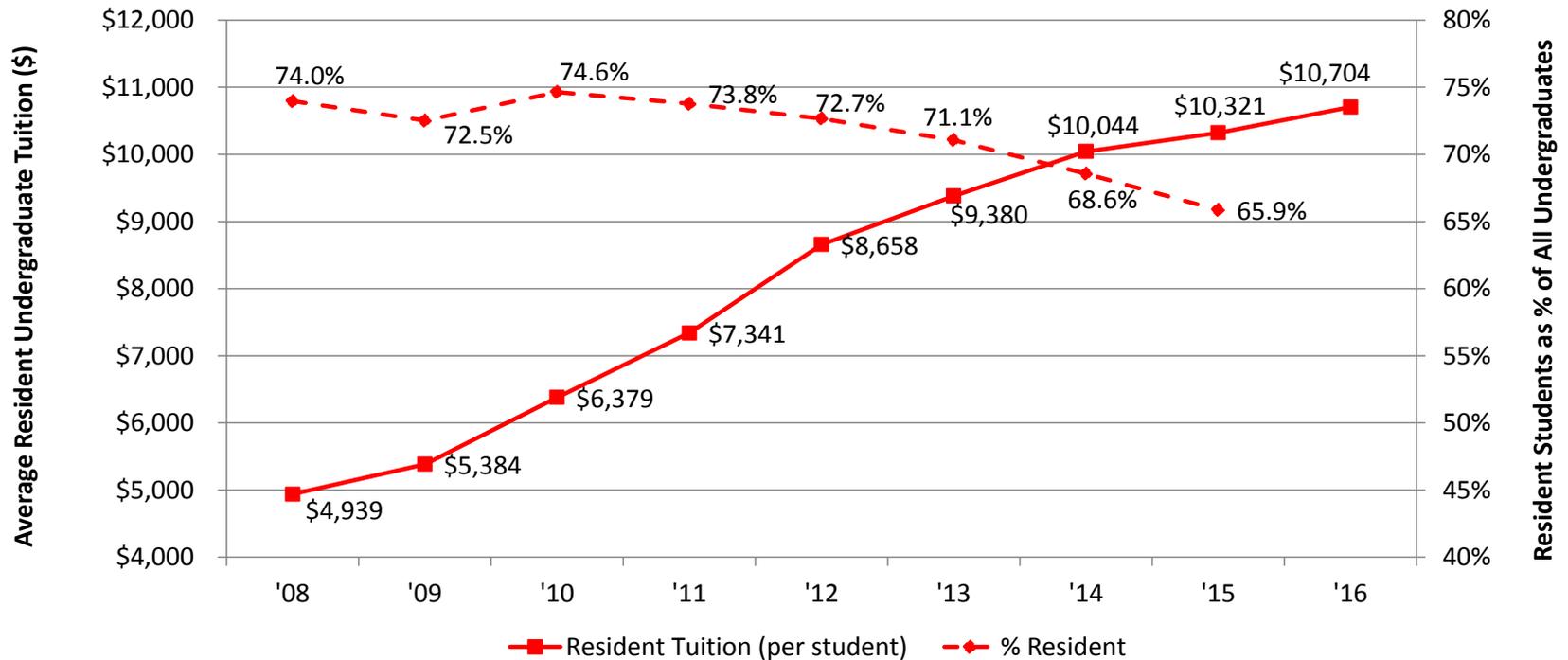
'16 Tuition Increases Reflect Longer Term Trend Since '08

- ❑ General Fund declined from \$1.1 B to \$661 M
- ❑ Total tuition increased from \$822 M to \$2.1 B
- ❑ Total GF + tuition grew from \$1.9 B to \$2.8 B
- ❑ '08 - '16 spending per student grew from \$17.4 K to \$18.4 K



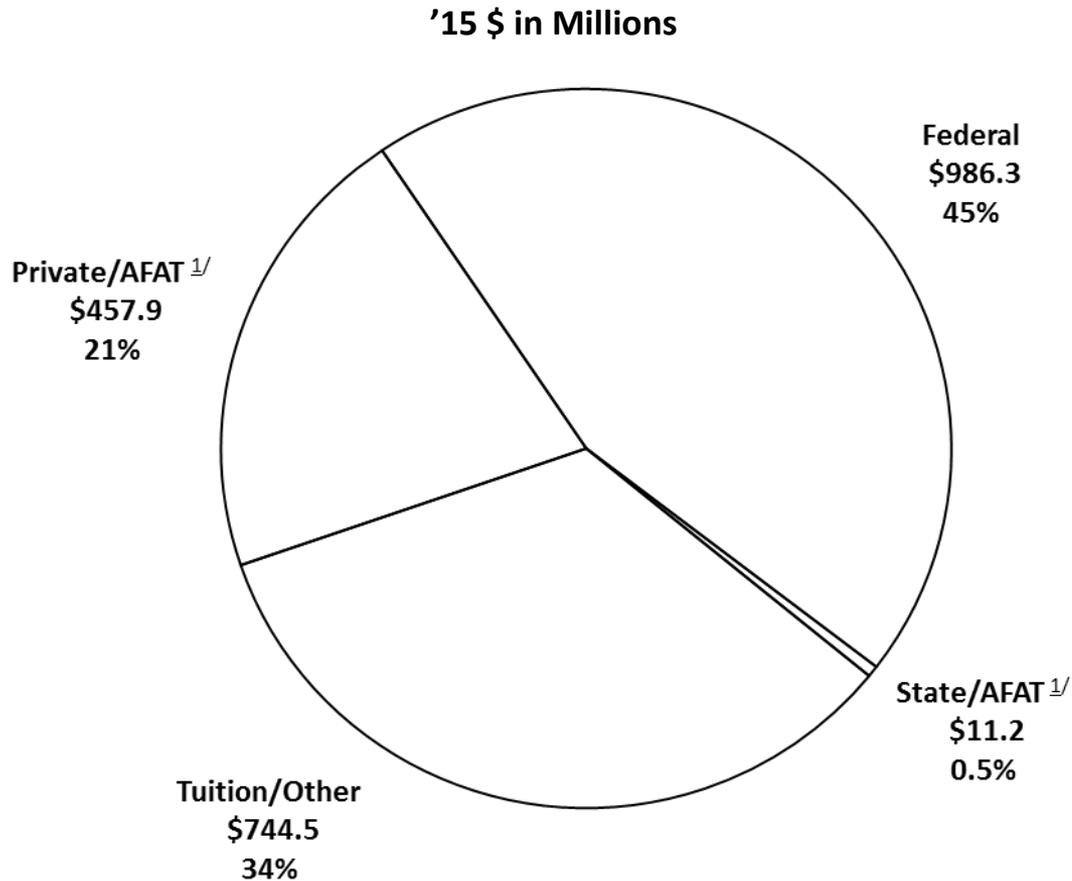
Resident Undergraduate Tuition/Fees Rising

- Increase of 117% since '08



- ❑ 10.3% average annual increase
- ❑ NAU/UA provide a guaranteed 4-year tuition rate
- ❑ ASU has a 1-time 3.2% '16 surcharge

\$2.2 B in Financial Aid Helps Offset Tuition



^{1/} The Arizona Financial Aid Trust (AFAT) provides financial assistance to resident students with need. AFAT is funded by a combination of student fees and General Fund monies.

JLBC and Executive '17 Estimates Comparable - But Different Allocation Formula

	GF \$ in M			
	'17		'18	
	Exec	Baseline	Exec	Baseline
1-Time Debt Refinance Savings	\$3.9	\$3.9	\$0.0	\$3.7
Baseline Additional Resources	<u>8.0</u>	<u>8.2</u>	<u>0.0</u>	<u>0.0</u>
Total	\$11.9	\$12.1	\$0.0	\$3.7

- The \$8.2 M in additional resources was part of '16 budget's 3-year spending plan
- JLBC allocated \$8.2 M by total enrollment, which was used in lump sum reduction calculations in '16 budget
- OSPB allocated \$8.0 M by resident student enrollment, which is a funding concept endorsed by ABOR

Different Methodologies Produce Different Allocations

- NAU Gains Most Under Executive Methodology

	Resident Student Formula	% of Allocation	Total Student Formula	% of Allocation
ASU	\$4,374,300	53.3%	\$4,411,000	53.8%
NAU	1,534,700	18.7%	1,433,200	17.5%
UA	2,291,000	27.9%	2,355,800	28.7%
Total	\$8,200,000		\$8,200,000	

- If the Legislature restored the \$(99) M cut taken by the Universities in the '16 budget based on resident student enrollment instead of total enrollment, then ASU would lose \$(442,600), NAU would gain \$1.2 M, and UA would lose \$(783,000)

JLBC and Executive Include Same Technical Adjustment for Health Insurance Savings

- ❑ The '16 budget reduced state employer health insurance contribution rates for 6 months in '16
- ❑ University budgets were reduced by \$(6) M, but actual savings are \$(2) M
- ❑ JLBC and Executive restore \$4.0 M of General Fund support in '16; JLBC transfers \$4.0 M from HITF to the General Fund to offset the increase
- ❑ The revised savings estimate of \$(2) M will be annualized to \$(4) M in '17 for a full year of lower contribution rates

ABOR Proposes to Eliminate Performance Funding

- ❑ Arizona's performance-based funding model relies on university-generated data of degrees awarded, course hours attained, and research monies expended
 - In use since '13, it is a complicated formula and not well understood
- ❑ \$10.0 M funded in '16 budget
- ❑ Arizona is 1 of 32 states with performance-based funding models for higher education systems
 - 5 more are in planning/transition phase
- ❑ Other states use performance indicators such as course completion, time to degree, transfer rates, the number of degrees awarded, and the number of low-income and minority graduates

ABOR Proposes New Funding Formula

- Based on Average Educational Cost of Resident Student

- ❑ ABOR proposes to replace performance funding with enrollment based model
- ❑ Currently, the General Fund contributes 34% for each resident student's average educational cost (\$5,302 of \$15,550)
- ❑ ABOR's long-term goal is 50% General Fund support of resident costs
 - Total cost would be \$241 M if fully implemented
- ❑ The Executive proposes to use resident students count for \$8 M restoration
 - Would raise GF support by 0.6%
- ❑ The Executive would require ABOR to commission an independent study to measure cost of educating resident students

ABOR Proposal Reduces Non-Resident Subsidy of Resident Students

- ❑ Cost shift away from non-resident students
- ❑ Use of “freed-up” subsidy unclear
- ❑ Formula placed in statute

Current Cost Allocation for Resident Students

	<u>\$</u>	<u>% of Cost</u>
General Fund	\$ 5,302	34%
Resident Tuition and Fees	6,554	42%
Non-Resident Subsidy/Other	<u>3,694</u>	<u>24%</u>
Average Education Cost	\$15,550	100%

JLBC Staff Recommended Improvements

- Revisit Performance Funding; Tuition Transparency

- ❑ Revisit and consider alternatives to the existing performance-based funding model; options include:
 - Accepting ABOR's new proposed formula providing General Fund money based on the number of resident students enrolled at each University
 - Revising existing performance-based funding model to make it simpler to understand
 - Eliminating performance-based funding altogether
- ❑ Appropriate all or none of University tuition, thereby eliminating current hybrid process

Other ABOR Legislative Initiatives

- ❑ Employee health care (“strategically planned withdrawal”)
 - NAU operates separate Blue Cross/Blue Shield program

- ❑ Property/Casualty/Worker’s Compensation Insurance

- ❑ Retirement (ASRS exemption)
 - University Optional Retirement Plan (UORP) already exists; it is a defined contribution plan with a 7% employer contribution rate
 - 43% of University salaries associated with UORP
 - ASU has expressed interest in legislation that would require future employees to join UORP; they currently can choose between ASRS and UORP

Arizona Board of Regents

- Website Links

JLBC Baseline

[ABOR](#)

[ASU - Tempe/DPC](#)

[ASU - East](#)

[ASU - West](#)

[NAU](#)

[UA - Main](#)

[UA - HSC](#)

Executive Budget

[ABOR](#)

[ASU - Tempe/DPC](#)

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