

ARIZONA STATE LEGISLATURE
Forty-ninth Legislature – First Regular Session

**SPECIAL JOINT MEETING
OF THE SENATE COMMITTEE ON APPROPRIATIONS AND
THE HOUSE COMMITTEE ON APPROPRIATIONS**

Minutes of Special Joint Meeting
Thursday, February 12, 2009
House Hearing Room 1 -- 2:30 p.m. or on adjournment of Special Joint Senate & House
Education Meeting

Chairman Kavanagh called the meeting to order at 3:58 p.m. and attendance was noted by the secretary.

Members Present

Senators

Aboud	Hale	Rios
Aguirre	Harper	Melvin, Vice-Chairman
Allen S	Pierce	Pearce, Chairman
Gorman		

Representatives

Cajero Bedford	Heinz	Schapira
Campbell CL	Jones	Sinema
Court	McLain	Williams
Crandall	Murphy	Kavanagh, Chairman

Members Absent

Senators

Gould

Representatives

Biggs, Vice-Chairman

JLBC BUDGET UPDATE

Richard Stavneak, Director, Joint Legislative Budget Committee, reviewed the handout containing a Revenue Update (Attachment 1). He indicated that the Finance Advisory Committee will meet as early as possible in March 2009 and responded to questions concerning the federal stimulus package.

FISCAL YEAR 2009-2010 AGENCY BUDGET HEARINGS - UNIVERSITIES

Leah Kritzer, Joint Legislative Budget Committee, reviewed the handout relating to the FY 2009-2010 budget for the Arizona University System (Attachment 2) and responded to questions.

Arizona Board of Regents

Fred Boice, President, Arizona Board of Regents (ABOR), stated that the \$141 million that was cut in the revised budget, primarily due to the length of time it had to be adopted into the university system, is extremely difficult. Each university is coming forth with a plan to comply with the Legislature's wishes, but some cuts will be deemed severe. Unfortunately, students and employees of the universities will ultimately bear the brunt. He said he is pleased that the federal stimulus package passed and looks forward to working with the Governor and Legislature relative to the best use of those funds for the benefit of students. He noted that President Burns and Speaker Adams asked that a group of "smart guys" be formed to study tax policy and fiscal alternatives to cuts, which is called the Fiscal Alternatives Choice Team (FACT) and will be headed by Ted Ferris. Hopefully, the group will have suggestions that are acceptable to the Committee and workable for the universities.

Senator Harper asked why ABOR leases expensive office space.

Joel Sideman, Executive Director, Arizona Board of Regents (ABOR), responded that ABOR is presently paying slightly more than the rate charged by the Department of Administration (DOA) for agencies to rent space in state-owned buildings, but for the next two years, it will be substantially less than the rates charged by DOA.

CoChairman Pearce spoke about the challenges in resolving the budget crisis, noting that efforts were made to protect education. He solicited proactive comments and suggestions from the universities and K-12 community.

Bob McLendon, Regent, Arizona Board of Regents (ABOR), indicated that he and ABOR have faith that the Legislature will deliberate, and working together, this problem can be solved. He stated that education in general is very important for opportunity, and the universities belong to all people in the state. Graduates of the educational system in Arizona should be able to compete with anyone in the world, which is why it is important to keep turning out good teachers, scientists, etc., and the education system needs to be the best. Arizona universities are known throughout the country and world as places that are desirable to attend because of what is offered, and that is what everyone needs to continue to work for.

Chairman Kavanagh remarked that he hopes the budget will be out by early March 2009, so perhaps FACT can provide preliminary recommendations by the first week in March. Mr. Boice replied that he asked the group to develop preliminary suggestions in 10 days to two weeks, but it will probably take six weeks to two months to finish the study.

Chairman Kavanagh asked that the group provide a separate section indicating how reductions in funding should occur under certain scenarios. Ms. Sinema asked for information on how ABOR would be interested in using federal stimulus funds.

Northern Arizona University

John Haegar, President, Northern Arizona University (NAU), stated that all of the university presidents understand that they are part of the need to deal with the financial problem that is more severe than anyone imagined. NAU has almost the same kind of budget restraints as the state as it is run on about \$400 million, but only 64 percent is actually open for them to cut, which is primarily the state appropriation and tuition dollars. The rest of the funds used to run the university are from private grants, financial aid from the federal government, and government grants and contracts, which they cannot touch. He indicated that this would amount to a 13 to 14 percent reduction for NAU and related what has been done to close out FY 2009:

- A hiring freeze was instituted months ago, so people could only be hired with his signature, saving 100 positions in the state budget and almost 200 positions on local accounts
- Development of the occupational therapy and physician assistant programs was halted
- The Center for High Altitude Training was discontinued
- The Social Research Lab was discontinued
- Funds were taken from local account fund balances such as dining service, residence hall, etc., to fix the FY 2009 problem; however, this puts these business operations at the balance point where they may not be profitable
- Tuition dollars ordinarily used to hire faculty and advisors were diverted to fill the gap in FY 2009

He conveyed items under consideration for FY 2010:

- Increase in faculty loads
- Increase in class sizes
- Furloughs for employees, up to seven days, and layoffs
- Reduction in the number of statewide sites with many moving to web-based delivery, paying particular attention to Prescott and Yuma
- Student support services all across campuses
- Request to ABOR for significant tuition and fee increases

President Haegar responded to questions posed by the Members concerning movement to web-based delivery, 2+2 programs and public-private partnerships, permanent reductions already made that will go into effect in FY 2010, per student funding, tuition increases, the federal stimulus package and other ways to educate, particularly online.

Cochairman Pearce assumed the Chair.

President Haegar responded to a question about the feasibility of selling land around the campus for extra revenue. He advised that a \$100 tuition increase across the student body would equal about \$1.5 million.

University of Arizona

Robert Shelton, President, University of Arizona (UA), stated that he began the transformation process in the spring of 2008, and in numerous talks, emails, and presentations he made it clear that UA can no longer do business as usual and must decide what can no longer be done. Priorities were set and a two-fiscal approach was taken for FY 2009 and FY 2010. In September 2009, a strict curtailment of commitments began with a vigorous hiring freeze and many funds were swept. To date, some specific steps were taken to deal with the budget reductions that occurred at the beginning of FY 2009, about \$22 million, and the latest decision of \$141.5 million to the system:

- Over 600 positions were eliminated and more will need to be eliminated
- Employees were furloughed at various tiers, which is a temporary measure
- Fewer classes are being offered at sister institutions and the regents will be asked in the spring for formal elimination of 20 to 30 degree programs
- Classes are getting larger and in-class and distance learning are being combined
- Four colleges were consolidated to realize a few million dollars in administrative costs in FY 2010
- University College was eliminated
- Cooperative Extension was cut by 30 percent
- Museums are being shut
- UA Presents funding was cut by 75 percent

President Shelton stated that in relation to the latest cut, which is about \$56 million to UA, it was possible to identify about \$40 million to \$42 million in permanent cuts because of actions implemented last fall, and UA will be carrying forward into FY 2010, using temporary money and exhausting emergency reserves, about \$12 million to \$15 million. Filling in those funds in FY 2010 will be done through a combination of cuts and revenue enhancements. He added that it is important not to destroy the UA and to ensure that UA degrees continue to stand for quality for students, alumni and employers in Arizona. He responded to questions about a differentiated cost structure for undergraduate degrees and revenues and benefits experienced through research.

Chairman Kavanagh resumed the Chair.

President Shelton answered questions about the ability to attract private and federal research dollars, the impact of the decrease in positions, the impact of reductions to the graduate and undergraduate teaching mission particularly research and outreach, success stories at UA, coordination between the universities in dealing with reductions, professors and research dollars, Science Foundation Arizona, engineering degrees, the impact of cuts to the Cooperative Extension on agriculture in Yuma, 2+2 programs and cuts to the Phoenix Biomedical Campus.

Arizona State University

Michael Crow, President, Arizona State University (ASU), made four points:

- The mission of ASU is a comprehensive metropolitan research university, which is slightly differentiated because of the design going back to the Arizona Constitution, which established a framework to make universities of Arizona accessible to people in general.
- ASU will remain committed to this mission no matter what and must carry out the mission at whatever level of investment the Legislature makes in the institution.
- Reaction to the FY 2009 budget adjustment has been to reorganize the institution and begin the process of focusing on a less expensive framework to continue to deliver services. One of the decisions made was to change and redirect the ASU West campus, which is now called New College, to a four-year low cost, high quality, high performing undergraduate institution.
- For FY 2010, if the Legislature, recognizing its daunting financial task, continues to make substantial reductions to the universities, ASU will begin to repurpose the institution like it did the West Campus, which means it will have to discuss with ABOR and the Legislature the possibility of moving toward two types of activities, i.e. further development of low-cost options and movement from a state-supported institution to a state-assisted institution.

President Crow responded to questions concerning the percentage of Arizona high school graduates attending ASU, enrollment growth, and the correlation between student growth and the amount of state funding provided to support students.

Ms. Kritzer related that the reduction options amount to approximately \$388 million for FY 2010 not taking into account the \$141.5 million for FY 2009. The fund sweeps for universities is around \$74.4 million. Discussion followed.

President Crow responded to questions concerning measures to deal with the 10 Options for ASU, tuition, admittance parameters, the federal stimulus package, AIMS scholarships, Science Foundation Arizona cuts, and sports medicine programs.

Without objection, the meeting adjourned at 8:03 p.m.

Linda Taylor, Committee Secretary
February 26, 2009

(Original minutes, attachments and audio on file in the Chief Clerk's Office: video archives available at <http://www.azleg.gov>).