

Arizona Board of Regents

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,436,800	1,436,000	1,436,000
Employee Related Expenditures	520,500	521,600	521,600
Professional and Outside Services	62,400	62,400	62,400
Other Operating Expenditures	351,700	330,600	330,600
OPERATING SUBTOTAL	2,371,400	2,350,600	2,350,600
SPECIAL LINE ITEMS			
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Course Redesign Technology & Capital	0	0	15,273,700 ^{1/}
Math and Science Teacher Initiative	132,000	0	0
Performance Funding	0	0	5,000,000 ^{2/}
Student Financial Assistance	10,041,200	10,041,200	10,041,200
Western Interstate Commission Office	125,000	125,000	125,000
WICHE Student Subsidies	4,096,700	4,106,000	4,106,000
AGENCY TOTAL	17,070,000	16,926,500^{3/}	37,200,200^{4/5/}
FUND SOURCES			
General Fund	17,070,000	16,926,500	37,200,200
SUBTOTAL - Appropriated Funds	17,070,000	16,926,500	37,200,200
Other Non-Appropriated Funds	4,803,400	7,632,800	4,939,500
Federal Funds	837,200	1,357,700	1,306,300
TOTAL - ALL SOURCES	22,710,600	25,917,000	43,446,000

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.

- ^{1/} The Course Redesign Technology and Capital appropriation shall become available for use by Arizona State University and Northern Arizona University after the Arizona Board of Regents approves an expenditure plan. The Arizona Board of Regents shall review the expenditure plan before October 1, 2012. The monies must be used for innovative course redesign technologies and capital improvements that will maintain or improve learning outcomes and decrease per student costs for large enrollment or high failure rate classes. Of this amount, \$11,971,100 shall be distributed to the Arizona State University campuses and \$3,302,600 shall be distributed to Northern Arizona University. The Arizona Board of Regents shall notify the Joint Legislative Budget Committee Staff of the amounts allocated to each Arizona State University campus. It is the intent of the Legislature that these monies be budgeted to the individual campuses beginning in FY 2014. It is the intent of the Legislature to appropriate funding to Arizona State University and Northern Arizona University in FY 2014 through FY 2017 with the goal of achieving per student funding parity between the universities under the jurisdiction of the Arizona Board of Regents at the beginning of FY 2017. (General Appropriation Act footnote)
- ^{2/} The following amounts have been allocated from the university campuses to the Arizona Board of Regents for Performance Funding: \$2,030,000 from Arizona State University - Tempe and Downtown Phoenix Campuses, \$156,300 from Arizona State University - East, \$271,700 from Arizona State University - West, \$834,600 from Northern Arizona University, and \$1,707,400 from the University of Arizona - Main campus. The performance funding formula shall be as prescribed by law. The Arizona Board of Regents shall report the final allocation of performance funding to the Joint Legislative Budget Committee on or before July 1, 2012. (General Appropriation Act footnote)
- ^{3/} In addition to these amounts, a total of \$70,100 GF is appropriated in FY 2012 for costs associated with an additional pay period. (Please see the Agency Detail and Allocations section.)
- ^{4/} Within 10 days of 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. (General Appropriation Act footnote)
- ^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,350,600 and 25.9 FTE Positions from the General Fund in FY 2013 for the operating budget. These amounts are unchanged from FY 2012.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2013 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2012.

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 2011, 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 2013 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2012.

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 2011 and are projected to also contribute \$277,200 in both FY 2012 and FY 2013.

Course Redesign Technology and Capital

The budget includes \$15,273,700 from the General Fund in FY 2013 for the newly created Course Redesign Technology and Capital Special Line Item (SLI). This amount funds the following adjustment:

Parity Funding

The budget includes an increase of \$15,273,700 from the General Fund in FY 2013 in order to align ASU's and NAU's General Fund per student funding to that of the higher UA amount. Of this amount, \$11,971,100 is for ASU and \$3,302,600 is for NAU, which will be allocated by October 1, 2012 once ABOR reviews an expenditure plan.

ABOR is to notify the JLBC Staff on the amounts allocated to each ASU campus. These monies shall be budgeted to the individual campuses beginning in FY 2014 with the goal that per student funding parity is achieved among the universities by the beginning of FY 2017.

These monies shall be used by ASU and NAU for innovative course redesign technologies and capital improvements that will maintain or improve learning outcomes and decrease per-student costs for large enrollment or high-failure rate classes.

Performance Funding

The budget includes \$5,000,000 from the General Fund in FY 2013 for the newly created Performance Funding SLI. This amount funds the following adjustment:

Performance Funding Reallocation

The budget includes an increase of \$5,000,000 from the General Fund in FY 2013 for a performance-based funding model. The following amounts were reallocated from the university budgets to ABOR to fund this adjustment: \$2,030,000 from ASU - Tempe/Downtown Phoenix, \$156,300 from ASU - East, \$271,700 from ASU - West, \$834,600 from NAU, and \$1,707,400 from UA - Main.

According to the FY 2013 Higher Education Budget Reconciliation Bill (BRB) (Laws 2012, Chapter 301), ABOR and the universities are to adopt a performance funding model by July 1, 2012. 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. The universities are to submit their annual budget requests based on this funding model.

Student Financial Assistance

The budget includes \$10,041,200 from the General Fund in FY 2013 for Student Financial Assistance. This amount is unchanged from FY 2012.

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 \$46 - \$91 in FY 2012, depending on the university. All students pay roughly the same fee, except part-time students, who pay half the regular fee. The FY 2013 Higher Education BRB suspended the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2012.

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 2011, AFAT disbursed \$16,230,100 in financial aid.

Western Interstate Commission Office

The budget includes \$125,000 from the General Fund in FY 2013 for the Western Interstate Commission Office. This amount is unchanged from FY 2012.

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 budget includes \$4,106,000 from the General Fund in FY 2013 for WICHE student subsidies. This amount is unchanged from FY 2012.

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 offer programs in dentistry, optometry, occupational therapy, osteopathy, physician assistance, or veterinary medicine, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

In FY 2012, the board is providing subsidies to 187 Arizona students, which is the same as FY 2011. 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 50% 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.

Additional Legislation

ABOR Continuation

Laws 2012, Chapter 119 extends the termination date for ABOR from July 1, 2012 to July 1, 2022.

Continued Student Deposit

The FY 2012 K-12 Education BRB (Laws 2011, Chapter 29) required each university and community college to deposit \$6 per each full-time student into the Department of Education's Education Learning and Accountability Fund by December 1, 2011. The FY 2013 K-12 Education BRB (Laws 2012, Chapter 300) requires each university and community college to deposit \$6 per each full-time student into the fund again by December 31, 2012. This assessment is expected to generate \$765,600 from the universities and \$872,800 from the community colleges.

Other Issues

Payment Deferral

The budget includes \$200,000,000 from the General Fund for universitywide FY 2012 payments that were deferred until FY 2013 and includes a universitywide FY 2013 General Fund payment deferral of \$(200,000,000) until FY 2014. The payment deferral is unchanged from FY 2011. (Please see the individual university narrative pages for more information.)

The FY 2013 payment deferrals are allocated among the universities as follows:

ASU-Tempe/DPC	\$ (74,760,400)
ASU-East	(5,750,200)
ASU-West	(10,064,800)
ASU Subtotal	(90,575,400)
NAU	(30,494,800)
UA-Main	(62,153,100)
UA-HSC	(16,776,700)
UA Subtotal	(78,929,800)
Total	\$(200,000,000)

System Enrollment Funding Formula

A.R.S. § 15-1661 codifies, for all state universities, the first calculation of the enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

Academic Level	Credit Hours/FTE
Lower-Division Undergraduate	15
Upper-Division Undergraduate	12
Graduate and Professional	10

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment 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.

The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE Position is \$73,800.

Table 1 summarizes the FY 2013 expenditure authority amounts for the Arizona University System. The Collections Fund amounts for each campus includes growth due to the enrollment funding formula described above, while the General Fund amounts do not include enrollment funding formula growth. Table 2 summarizes the unfunded General Fund enrollment amounts and the funded Collections Fund enrollment amounts for each campus in FY 2013.

Laws 2009, 3rd Special Session, Chapter 9 requires the universities to separately report out-of-state student enrollment. The legislative intent was to use this

Table 1

FY 2013 Summary of Spending Authority						
	Appropriated Funds			Non-Appropriated Funds		
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds	Total
ABOR	\$ 37,200,200	\$ 0	\$ 0	\$ 1,306,300	\$ 4,939,500	\$ 43,446,000
ASU-Tempe/DPC	247,110,000	468,010,300	0	294,312,000	706,064,000	1,715,496,300
ASU-East	19,022,300	37,924,800	2,000,000	6,097,000	15,714,000	80,758,100
ASU-West	33,017,700	31,330,800	1,600,000	4,046,000	16,150,000	86,144,500
NAU	101,604,800	99,660,700	0	77,483,000	200,000,900	478,749,400
UA-Main	207,793,500	256,404,000	0	264,659,200	841,971,600	1,570,828,300
UA-Health Sciences	61,585,300	41,786,200	0	105,561,500	161,759,500	370,692,500
Total	\$707,333,800	\$935,116,800	\$3,600,000	\$753,465,000	\$1,946,599,500	\$4,346,115,100

^{1/} Excludes FY 2013 tuition increase.

information as a basis to exclude out-of-state students from enrollment growth calculations. As part of the enrollment calculation, each campus's out-of-state students were not included in the above enrollment funding formula calculation.

Table 3 shows FY 2013 Arizona University System enrollment for in-state and out-of-state students. It is projected that ASU-Tempe will grow by 313 FTE out-of-state students for a total of 15,038 in FY 2013, ASU DPC will grow by 205 for a total of 1,841, ASU East will grow by 51 for a total of 1,010, ASU West will grow by 27 for a total of 1,050, NAU will grow by 264 for a total of 5,403, UA Main will grow by 175 for a total of 11,849, and UA Health Sciences will grow by 8 for a total of 435.

Other University System Summary Tables

Table 4 shows ABOR changes to resident and non-resident undergraduate tuition from FY 2012 to FY 2013.

Table 5 shows the financial aid distribution and the sources of aid for the Arizona University System in FY 2011. Of \$1,734,603,600 total financial aid distributions in FY 2011, the state appropriated \$2,414,700, university institutional services provided \$558,394,600, and AFAT (made up of both state and institutional funds) accounted for \$16,230,100.

Table 6 displays total tuition collections for the Arizona University System, which equal an estimated \$1,487,268,500 in FY 2012 and \$1,618,775,700 in FY 2013. The FY 2013 amount includes \$89,362,200 that accounts for the FY 2013 approved tuition increases, which are not incorporated into the individual university narratives. The \$89,362,200 amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.

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 2

FY 2013 Arizona University System Enrollment Growth Funding

	Unfunded - General Fund ^{1/}	Funded - Other Fund ^{2/}
ASU-Tempe/DPC	\$12,535,100	\$14,116,000
ASU-East	313,900	352,100
ASU-West	(873,600)	(947,900)
NAU	2,104,600	1,921,800
UA-Main	7,209,900	8,901,000
UA-Health Sciences	511,200	632,200
Total	\$21,801,100	\$24,975,200

^{1/} If funded, these amounts would have funded projected growth for in-state student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula.

^{2/} These amounts fund projected enrollment growth for in-state students.

Table 3

FY 2013 Arizona University System Enrollment

	In-State Students ^{1/}	Out-of-State Students	Total Enrollment
ASU-Tempe/ DPC	40,481	16,879	57,360
ASU-East	4,099	1,010	5,109
ASU-West	5,121	1,050	6,171
NAU	16,574	5,403	21,977
UA-Main	23,064	11,849	34,913
UA-Health Sciences	1,636	435	2,071
Total	90,975	36,626	127,601

^{1/} Enrollment represents student populations as calculated by the funding formula, which includes student counts for FY 2011 - FY 2013.

Table 4

**Arizona University System
FY 2012 to FY 2013 Undergraduate Tuition and Fees Changes ^{1/}**

	<u>Resident ^{2/}</u>				<u>Non-Resident ^{2/}</u>			
	<u>FY 2012</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
ASU	\$8,736 to \$9,716	\$8,740 to \$9,720	\$4	0.0004%	\$22,315	\$22,973	\$658	2.9%
ASU-Distance Ed.	N/A	\$6,490	N/A	N/A	N/A	\$9,490	N/A	N/A
NAU	\$5,960 to \$8,824	\$6,909 to \$9,271	\$447 to \$949	5.1% to 15.9%	\$17,058 to \$21,179	\$18,136 to \$21,626	\$447 to \$1,078	2.1% to 6.3%
NAU-Distance Ed.	\$4,803 to \$6,317	\$4,948 to \$6,508	\$145 to \$191	3.0%	\$14,283 to \$17,650	\$14,715 to \$18,190	\$432 to \$540	3.0%
UofA-Main/HSC	\$10,035	\$10,035	\$0	0%	\$25,494	\$26,231	\$737	2.9%
UofA-South	\$7,941	\$7,941	\$0	0%	\$25,071	\$25,808	\$737	2.9%

^{1/} The amounts represent combined full-time tuition for fall and spring semesters, as well as mandatory fees. Undergraduates must take at least 12 credit hours to qualify for full-time status. Mandatory fees include AFAT and student recreation charges, but do not include special class or program fees.
^{2/} NAU provides a guaranteed tuition rate for each incoming class. ASU previously had a tuition commitment rate for each incoming class, however, both ASU and UA currently do not have tuition guarantees.

Table 5

**FY 2011 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}**

	<u>Federal</u>	<u>State ^{2/}</u>	<u>Institutional ^{3/}</u>	<u>Private/Other ^{4/}</u>	<u>Total</u>
Grants	\$203,961.0	\$1,768.5	\$391,433.7	\$140,356.4	\$ 737,519.6
Loans	653,263.7	646.2	0.0	170,296.1	824,206.0
Employment	<u>5,917.1</u>	<u>0.0</u>	<u>166,960.9</u>	<u>0.0</u>	<u>172,878.0</u>
Total	\$863,141.8	\$2,414.7	\$558,394.6	\$310,652.5	\$1,734,603.6

^{1/} Information provided by ABOR.
^{2/} State sources of aid include revenues from the Commission for Postsecondary Education and the Board of Medical Student Loans.
^{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.

Table 6

Tuition Revenue Allocation

	<u>FY 2011 Actual</u>	<u>FY 2012 Estimate</u>	<u>FY 2013 Estimate ^{1/}</u>
<u>Appropriated</u>			
Operating Budget	\$ 771,922,500	\$ 910,141,600	\$ 935,116,800
<u>Non-Appropriated</u>			
Operating Budget	\$ 57,999,900	\$ 92,351,000	\$ 92,551,000
Financial Aid	330,458,000	380,172,100	394,841,900
Plant Fund	18,502,100	22,008,100	23,808,100
Debt Service	<u>80,930,200</u>	<u>82,595,700</u>	<u>83,095,700</u>
<i>Subtotal</i>	\$ 487,890,200	\$ 577,126,900	\$ 594,296,700
To Be Allocated	\$ 0	\$ 0	\$ 89,362,200
Total	\$1,259,812,700	\$1,487,268,500	\$1,618,775,700

^{1/} The source for these non-appropriated amounts are the universities' FY 2013 budget requests. The appropriated amount does not account for the FY 2013 tuition increases. The \$89,362,200 amount accounts for the FY 2013 approved tuition increases, which are not incorporated into the individual university narratives. This amount will be allocated between appropriated and non-appropriated funds, however, that has yet to be determined.