

University of Arizona - Health Sciences Center

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	1,054.1	1,054.1	1,054.1
Personal Services	48,061,200	50,886,300	50,886,300
Employee Related Expenditures	14,711,100	15,086,100	15,086,100
Professional and Outside Services	5,026,900	1,705,600	1,705,600
Travel - In State	60,500	41,200	41,200
Travel - Out of State	181,400	7,700	7,700
Other Operating Expenditures	5,252,900	2,102,900	2,102,900
Equipment	468,800	186,800	186,800
OPERATING SUBTOTAL	73,762,800	70,016,600	70,016,600
SPECIAL LINE ITEMS			
Clinical Rural Rotation	345,300	353,400	353,400
Clinical Teaching Support	8,587,000	8,587,000	8,587,000
Liver Research Institute	467,800	430,100	430,100
Phoenix Medical Campus	29,071,500	31,778,700	31,778,700
Telemedicine Network	1,854,200	1,854,400	1,854,400
AGENCY TOTAL	114,088,600	113,020,200	113,020,200
FUND SOURCES			
General Fund	69,585,300	69,585,300	69,585,300
Other Appropriated Funds			
University Collections Fund	44,503,300	43,434,900	43,434,900
SUBTOTAL - Other Appropriated Funds	44,503,300	43,434,900	43,434,900
SUBTOTAL - Appropriated Funds	114,088,600	113,020,200	113,020,200
Other Non-Appropriated Funds	205,927,100	229,888,600	235,951,500
Federal Funds	93,795,100	94,186,800	97,012,500
TOTAL - ALL SOURCES	413,810,800	437,095,600	445,984,200

AGENCY DESCRIPTION — The University of Arizona’s Health Sciences Center (UA-HSC) includes its Colleges of Medicine, Nursing, Pharmacy, and Public Health and its School of Health Professions enrolls over 2,779 full-time students as well as 456 medical students at its 48-acre campus in Tucson. UA-HSC currently operates a medical campus in Phoenix that opened in FY 2006. The Colleges of Pharmacy and Public Health also have a presence on the Phoenix Biomedical campus, which has increased its enrollment to 301 medical and 49 Master of Public Health students.

Operating Budget

The Baseline includes \$70,016,600 and 629.2 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	FY 2016
General Fund	\$34,900,200
University Collections Fund	35,116,400

These amounts are unchanged from FY 2015.

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.

Clinical Rural Rotation

The Baseline includes \$353,400 and 6.1 FTE Positions from the General Fund in FY 2016 for the Clinical Rural Rotation program. These amounts are unchanged from FY 2015.

This line item funds the Rural Health Professions Program, which enables nurse practitioner, medical, and pharmacy students to plan and complete clinical practice rotations in rural and medically under-served sites throughout the state.

Clinical Teaching Support

The Baseline includes \$8,587,000 and 212 FTE Positions from the General Fund in FY 2016 for Clinical Teaching Support. These amounts are unchanged from FY 2015.

Clinical Teaching Support provides hospital training, through internships and residencies, for medical, nursing, clinical, and other health students in a wide variety of specialty areas. Students fill all the above-mentioned FTE Positions. Since participation in the program has been stable for several years, the funding summary above includes these FTE Positions.

Liver Research Institute

The Baseline includes \$430,100 and 6.5 FTE Positions from the General Fund in FY 2016 for the Liver Research Institute. These amounts are unchanged from FY 2015.

The Liver Research Institute conducts clinical studies on all liver diseases, focusing on chemical and natural agents that may offer a cure for such ailments. The line item also supports a research development program that actively pursues outside grants and donations.

Phoenix Medical Campus

The Baseline includes \$31,778,700 and 185.4 FTE Positions in FY 2016 for the Phoenix Medical Campus (PMC). These amounts consist of:

General Fund	23,460,200
University Collections Fund	8,318,500

These amounts are unchanged from FY 2015.

The Phoenix Medical Campus currently has 301 medical students and 49 Master of Public Health students. By FY 2025, UA envisions developing a campus of approximately 1,200,000 square feet incorporating research, instruction, and clinical facilities to serve a planned population of 480 medical students, 250 graduate students, and 1,660 science students.

Laws 2008, Chapter 287 as amended by Laws 2009, 1st Special Session, Chapter 6 and Laws 2009, 3rd Special Session, Chapter 9 authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of \$800,000,000 to pay for building renewal projects and new facilities of which ABOR is required to allocate \$376,000,000 for the Phoenix Medical Campus.

In September 2014, the JCCR favorably reviewed UA's planned SPEED bond issuance of \$136,100,000 to fund construction of the Biosciences Partnership Building on the Phoenix Medical Campus. The bond has yet to be

issued and the debt service will be paid with 80% from Lottery revenues and 20% from university system revenues.

Of the \$376,000,000 allocated for the Phoenix Medical Campus, the Joint Committee on Capital Review (JCCR) has reviewed \$275,545,000. *(For additional information on university lottery bonding, please see the Capital Outlay - ABOR Building System section of this report. For historical information, please see the FY 2015 Appropriations Report.)*

Telemedicine Network

The Baseline includes \$1,854,400 and 14.9 FTE Positions from the General Fund in FY 2016 for the Telemedicine Network. These amounts are unchanged from FY 2015.

Telemedicine is the use of computers, video imaging, broadband Internet channels, and other telecommunication technologies to diagnose and treat patients in rural communities and state penitentiaries.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes (Please see Arizona Board of Regents (ABOR) for universitywide standard footnotes.)

It is the intent of the Legislature that the General Fund base funding for University of Arizona - Health Sciences Center is \$69,585,300. This appropriation includes a deferral of \$16,776,700 from FY 2016 to FY 2017. This deferral shall be paid as required in this act. *(The \$16,776,700 deferral amount into FY 2016 was appropriated by Laws 2014, Chapter 18.)*

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Payment Deferral

The Baseline includes \$16,776,700 from the General Fund for FY 2015 payments that were deferred until FY 2016 and includes a FY 2016 General Fund payment deferral of \$(16,776,700) until FY 2017. These amounts constitute a portion of a \$200,000,000 universitywide payment deferral. The payment deferral is unchanged from FY 2011. *(Please see ABOR for more information.)*

The FY 2016 General Fund budget is \$69,585,300. Of this amount:

- \$52,808,600 would be included in UA-HSC's individual section of the FY 2016 General Appropriation Act.

- \$16,776,700 was appropriated in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) to reflect the deferral of FY 2015 monies to FY 2016.

University of Arizona Health Network

On June 26, 2014, the University of Arizona Health Network (UAHN) and the University of Arizona (UA) announced plans to negotiate an affiliation with Banner Health. Negotiations are currently underway to merge the Banner Health network and the UAHN comprised of the 2 UA hospitals, its health plan division and physicians group.

The purchase of the land owned by ABOR and leased to the University Medical Center is part of the preliminary June 2014 proposal. Prior to 1984, the UA Hospital was owned by the state. In 1984, the Arizona Legislature adopted A.R.S. § 15-1637 to allow ABOR to enter into an agreement in which the University Medical Center (UMC) would be operated by the non-profit University Medical Center Corporation (UMCC). With the subsequent lease and conveyance agreement, the UMCC would take on the debt obligations and operational responsibilities (the liability to the state of running a hospital was considered a burden at the time of this transaction), ABOR leased the land to the UMCC, and ABOR conveyed the hospital building and equipment to the UMCC. The state also remained responsible for a limited amount of liability for the hospital. UMCC eventually became the current non-profit entity, UAHN, with the University Medical Center, other UAHN medical facilities, a health plan division, and a physicians group.

The June 2014 merger proposal includes:

- The purchase of the land currently leased to the University.
- The removal of the risk management liability for the University Hospital still held by the state.
- A \$300 million endowment to establish an Academic Enhancement Fund to provide \$20 million per year for UA’s clinical and translational research mission at the College of Medicine - Phoenix and the College of Medicine - Tucson.

- An additional \$20 million per year to support the clinical enterprise and additional funding support based on growth in revenues.
- \$500 million for capital improvements to the hospital and development of an outpatient center.
- University Family Care is an Arizona Health Care Cost Containment System (AHCCCS) contractor, operated by UA Health Plans; the contractor currently serves an AHCCCS population of 129,000 members in 10 counties. AHCCCS approved the change of ownership to Banner for the contract on November 12, 2014.
- The contract with UA-South Campus will remain in place with Pima County.
- UA faculty will be dually employed by UA and Banner. University faculty hold teaching appointments at the University of Arizona and clinical duties at the hospital. Their time is cost allocated so UA-HSC spending only reflects time spent on academic issues.

The statutory authority to sell the land rests with ABOR, and no legislative authority is necessary for the transaction.

The proposed transaction does not change the operation of the UA Health Sciences center. An academic council comprised of 6 persons, 3 appointed by UA, and 3 by Banner will oversee the clinical, clinical research, teaching operations of the UPH physicians; residency programs at the University Medical Center (Tucson), South Campus hospital (Tucson), and Banner Good Samaritan Medical Center (Phoenix); and the medical student rotations at the Phoenix and Tucson campuses.

The anticipated closure date for the merger is January 31, 2015, and the final terms of the deal are unknown.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.		
Funds Expended	9,560,700	10,294,200
Year-End Fund Balance*	(735,700)	397,400

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Designated Fund (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated Fund sub-account, is presented separately.		
Funds Expended	84,501,800	105,460,100
Year-End Fund Balance	105,201,700	133,989,600
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	126,099,000	132,143,700
Federal Grants (UNI8903/A.R.S. § 15-1666)		Non-Appropriated
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	71,462,800	71,408,000
Year-End Fund Balance*	(460,100)	2,860,100
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.		
Funds Expended	22,332,300	22,778,800
Year-End Fund Balance	0	0
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.		
Funds Expended	3,221,100	3,285,500
Year-End Fund Balance	0	0
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	108,643,500	110,848,800
Year-End Fund Balance	15,946,800	12,244,500
University Collections Fund (UAA1403/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	44,503,300	43,434,900
Year-End Fund Balance	0	0

*As reported by the agency. Actual ending balance will not be negative.