

Arizona Board of Regents

	FY 2017 ACTUAL	FY 2018 ESTIMATE	FY 2019 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,434,800	1,449,300	1,449,300
Employee Related Expenditures	556,500	542,900	520,800
Professional and Outside Services	21,800	33,500	33,500
Other Operating Expenditures	306,700	348,600	348,600
Equipment	32,700	300	300
OPERATING SUBTOTAL	2,352,500	2,374,600	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	0	0
Student Financial Assistance	10,041,200	0	0
Western Interstate Commission Office	149,000	153,000	153,000
WICHE Student Subsidies	4,082,000	4,078,000	4,078,000
AGENCY TOTAL	21,928,400	6,909,300	6,887,200
FUND SOURCES			
General Fund	21,928,400	6,909,300	6,887,200
SUBTOTAL - Appropriated Funds	21,928,400	6,909,300	6,887,200
Other Non-Appropriated Funds	7,332,900	8,167,400	6,527,900
Federal Funds	857,200	360,200	0
TOTAL - ALL SOURCES	30,118,500	15,436,900	13,415,100

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 2019 for the operating budget. FY 2019 adjustments are as follows:

Remove Health Insurance Adjustment

The Baseline includes a decrease of \$(22,100) from the General Fund in FY 2019 for the removal of a one-time FY 2018 health insurance adjustment. *(Please see the Technical Budget Assumptions section.)*

Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2019 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2018.

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 2017, 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 2019 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2018.

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 also contribute \$277,200 to the system each year.

Western Interstate Commission Office

The Baseline includes \$153,000 from the General Fund in FY 2019 for the Western Interstate Commission Office. This amount is unchanged from FY 2018.

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 \$4,078,000 from the General Fund in FY 2019 for WICHE student subsidies. This amount is unchanged from FY 2018.

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, osteopathy, podiatry, or veterinary medicine, PSEP allows interested students to enroll in these programs at private in-state institutions or other public western universities.

ABOR estimates that it will provide subsidies to 164 Arizona students in FY 2019, which is (1) fewer than FY 2018. 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 Lines by Agency

FOOTNOTES

Standard Footnotes

ABOR Specific

Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit ~~an~~ A CURRENT YEAR 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 EXPENDITURE PLAN SHALL INCLUDE THE USE OF ALL PROJECTED TUITION AND FEE REVENUES BY EXPENDITURE CATEGORY, INCLUDING OPERATING EXPENSES, PLANT FUND, DEBT SERVICE, AND FINANCIAL AID. ~~The additional revenue expenditure plan shall INCLUDE THE AMOUNT EACH EXPENDITURE CATEGORY IS PROJECTED TO INCREASE OVER THE PRIOR YEAR AND SHALL provide as much detail as the university budget requests. The plan shall include the total revenue and expenditure amounts from all tuition and student fee revenues, including base tuition, differential tuition, program fees, course fees, summer session fees, and other miscellaneous and mandatory student fee revenues that have previously been excluded from university reported tuition and fee revenues. (Please see Tuition Revenues in Other Issues section for more information.)~~

When determining any statewide adjustments, the Joint Legislative Budget Committee Staff shall use the overall allocation of state General Fund and appropriated tuition monies for each university in determining that university's specific adjustment.

Universitywide

Other than scholarships awarded through the Arizona Financial Aid Trust, the appropriated monies may not be used for scholarships or any student newspaper.

The state General Fund appropriation may not be used for alumni association funding ~~or contracts with individuals or entities for lobbying services.~~ (Laws 2017, Chapter 315 enacted the lobbying prohibition as part of permanent law in A.R.S. § 15-1650.04)

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

Any unencumbered balances remaining in the University Collections Fund on June 30, 2018 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. *(The FY 2017 Higher Education Budget Reconciliation Bill (BRB) (Laws 2016, Chapter 130) eliminated the requirement that the universities remit appropriated tuition revenues to the Treasurer beginning in FY 2019. Please see Tuition Revenues in Other Issues section for more information.)*

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 the Arizona Financial Aid Trust (AFAT). *(Please see Arizona Financial Aid Trust in Other Issues for more information.)*
- As permanent law, modify A.R.S. § 15-1655 to clarify that the Arizona Teacher Academy is established for the 2017 - 2018 academic year and subsequent years.

Other Issues

This section includes information on the following topics:

- Long-Term Budget Impacts
- Arizona Teacher Academy
- Resident Student & Cost Containment Reports
- Land Trust Funds
- Arizona Financial Aid Trust
- Tuition Revenues
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- One-Time Funding
- Intellectual Property & Technology Transfer Royalties
- University System Summary Tables

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, universitywide General Fund costs are projected to decrease by \$(2,479,900) in FY 2020 below FY 2019, and \$(465,500) in FY 2021 below FY 2020.

These estimates are based on:

- A \$(3,000,000) decrease in FY 2020 for the expiration of the annual appropriation to NAU to support a nonprofit biomedical organization.
- A \$(19,900) decrease in FY 2020 and a \$(1,016,300) decrease in FY 2021 to adjust for lower university

debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*

- Increases of \$540,000 and \$550,800 in FY 2020 and FY 2021, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.16% for FY 2020 and 2.21% for FY 2021; statute funds the lesser of 2% or the actual rate). *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

Arizona Teacher Academy

The FY 2018 Higher Education BRB (Laws 2017, Chapter 310) established A.R.S. § 15-1655, which instructed ABOR and the universities to develop an Arizona Teacher Academy. The academy is intended to encourage more Arizona residents to enter the teaching profession and commit to teach in Arizona public schools.

The academy grants an annual waiver for all tuition and fees associated with enrollees' program of study in exchange for subsequently teaching in an Arizona public school 1 year for each year they received a tuition waiver.

The law does not establish the number of participants or provide additional funding to the universities for the program, but requires ABOR to annually submit a report on the number of students enrolled in the academy, the number subsequently teaching to fulfill their waiver agreement, and the number who subsequently fail to satisfy their teaching requirements.

ABOR reports that approximately 230 students are participating in the Teacher Academy during the 2018 - 2019 academic year and anticipates 730 students by the fifth year.

Resident Student & Cost Containment Reports

The FY 2018 Higher Education BRB also established A.R.S. § 15-1650.03, which requires that ABOR conduct a comprehensive study of the cost of educating a full-time resident undergraduate student by December 15, 2017, and every 5 years thereafter. In addition, ABOR must annually submit a cost-containment report for each university by July 1 of each year.

Land Trust Funds

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,” 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’ land trust monies are non-appropriated. ABOR may expend them “as it deems expedient,” 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 provides matching funds for the interest earned on nonpublic endowment monies donated to attract and retain faculty, otherwise known as the Eminent Scholars Program. ABOR amended Board Policy 3-606 in 2017 to direct all Universities Land Fund incremental revenues from Proposition 123 (distributions beyond the first 2.5% distribution rate) to the universities for general use, rather than the Eminent Scholars Grant.

The funds will have estimated revenues of \$12,246,200 in FY 2019. *(Please see the Land Department narrative for more information.)*

Table 1

State Land Trust Revenues: Universities ^{1/}

	FY 2015	FY 2019
Military Institute	\$ 83,800	\$ 138,100
Normal Schools	296,600	756,800
A&M Colleges	445,100	983,900
School of Mines ^{2/}	499,800	1,198,100
Universities Land Fund	3,834,800	9,169,300
<i>University Land Code</i>	<i>2,175,400</i>	<i>2,736,600</i>
<i>U of A Land - 1881</i>	<i>1,659,400</i>	<i>6,432,700</i>
Total	\$ 5,160,100	\$ 12,246,200

^{1/} Includes income from the Treasurer’s distribution and lease revenues from the universities’ state land trust property.

^{2/} Only the University of Arizona receives monies from the School of Mines Fund.

Arizona Financial Aid Trust

Pursuant to A.R.S. § 15-1642, General Fund monies match financial aid tuition surcharges collected from university students for the Arizona Financial Aid Trust (AFAT). The AFAT fee is 1% of the full-time resident undergraduate base tuition rate, or \$79-\$108 in FY 2018 on the main campuses, depending on the university. All students pay

roughly the same fee, except part-time students, who pay half the regular fee.

The Baseline continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2019. The Baseline also maintains each university’s allocation of General Fund AFAT appropriations at their FY 2018 level. *(Please see the Student Financial Assistance narrative in the FY 2018 Appropriations Report for more information.)*

Based on student fees contributed to AFAT in FY 2017, the state’s match would be \$33,779,600, or an increase of \$23,738,400 over the \$10,041,200 Baseline appropriation in FY 2019.

Each university retains 25% of its annual AFAT student fees and state contributions in an AFAT endowment account. The remaining 75% of the student fees and state contributions, as well as 75% of the endowment’s annual interest earnings, are used to provide immediate assistance for needy in-state students. In FY 2017, AFAT disbursed \$20,248,600. *(Please see Table 6 for additional information on financial aid.)*

Tuition Revenues

The FY 2017 Higher Education BRB (Laws 2016, Chapter 130) amended A.R.S. § 15-1626A to require the universities to deposit tuition and fee revenues into separate tuition and fee revenue subaccounts for each university beginning in FY 2019.

Currently, 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 and are deposited into accounts labeled as “Designated” funds. The Designated Fund for each university includes the retained tuition and fees as well as monies from other sources.

Any remaining tuition collections are remitted to the Treasurer before being disbursed back to the universities into “Collections” funds as part of the appropriated budget. As with the non-appropriated tuition monies in the Designated Funds, tuition revenues in the appropriated Collections Funds are mixed with other revenue sources such as state land trust monies and miscellaneous receipts. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses appear in both appropriated and non-appropriated budgets.

By requiring that the universities keep tuition and fee monies separate from other revenue sources, the FY 2017 Higher Education BRB was intended to make the university funding structure more transparent. The FY 2017 Higher Education BRB also amended A.R.S. § 35-146 to eliminate the requirement that the universities remit appropriated tuition revenues to the Treasurer, also effective beginning FY 2019. This provision does not change the current split between appropriated and non-appropriated tuition monies.

The August 2017 tuition revenue report projects FY 2018 gross tuition and fees to be \$2.9 billion systemwide. Of this amount, \$1.3 billion is appropriated while \$1.6 billion is non-appropriated.

The reported gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities would constitute net tuition. The universities project \$693.3 million in tuition waivers and awards in FY 2018, for a total net tuition of \$2.2 billion.

The Baseline would modify the reporting requirements that govern ABOR's annual tuition revenue report. Rather than reporting on the incremental use of only appropriated tuition, ABOR would instead account for the expenditure of *all* tuition monies using the following

categories: operating expenses, plant fund, debt service, and financial aid. ABOR would be required to report on the total amount of tuition monies spent on each category as well as any change in each category versus the prior year. *(Please see the Footnotes section for more information.)*

2003 Research Infrastructure Refinancing

Laws 2003, Chapter 267, which established A.R.S. § 15-1670, appropriated for FY 2008 to FY 2031 monies to the universities each year for lease-purchase capital financing of research infrastructure projects such as installations and facilities for the continuance and growth of scientific and technological research activities.

Due to subsequent refinancing, the FY 2017 Higher Education Budget Reconciliation Bill (BRB) (Laws 2016, Chapter 130) amended A.R.S. § 15-1670 to revise the FY 2018 to FY 2031 research infrastructure appropriations to correspond to the universities' current debt service schedules. *(Please see Table 2 for more information.)*

The Baseline includes a decrease of \$(900) from the General Fund in FY 2019 to adjust appropriations for research infrastructure lease-purchase payments to the universities' actual debt service obligations.

The \$(900) decrease in the FY 2019 Baseline reflects the lower costs in FY 2019 compared to FY 2018. Of this

Table 2

FY 2018 – 2031 Research Infrastructure Appropriations

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
2018	\$ 13,481,000	\$ 5,896,500	\$ 14,249,300	\$ 33,626,800
2019	13,478,700	5,896,200	14,251,000	33,625,900
2020	13,456,300	5,899,500	14,250,200	33,606,000
2021	13,458,700	4,879,500	14,251,500	32,589,700
2022	13,451,900	5,039,800	14,248,900	32,740,600
2023	13,462,100	5,301,500	14,252,500	33,016,100
2024	13,468,200	5,302,900	14,255,300	33,026,400
2025	13,459,300	4,885,500	14,247,300	32,592,100
2026	13,453,900	4,884,500	14,248,400	32,586,800
2027	13,450,100	4,884,300	14,251,300	32,585,700
2028	13,436,200	4,894,000	14,254,100	32,584,300
2029	13,430,800	4,888,400	14,251,500	32,570,700
2030	13,423,500	4,892,000	14,252,500	32,568,000
2031	<u>13,428,800</u>	<u>4,889,300</u>	<u>14,255,800</u>	<u>32,573,900</u>
2018 - 2031	\$188,339,500	\$72,433,900	\$199,519,600	\$460,293,000

^{1/} FY 2018 – 2031 research infrastructure General Fund appropriations as specified in A.R.S. § 15-1670, as amended by the FY 2017 Higher Education BRB.

amount, the General Fund appropriations are adjusted \$(2,300) for ASU, \$(300) for NAU, and \$1,700 for UA.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2018 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects.

2017 University Capital Infrastructure Funding

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriates \$27,000,000 to the universities in FY 2019 and increases the appropriation each year thereafter by the lesser of 2.0% or inflation. The FY 2019 appropriations are allocated to each university as follows:

- ASU: \$11,927,400
- NAU: \$4,520,900
- UA: \$10,551,700

The allocations of the \$27,000,000 are based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016. *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

One-Time Funding

Section 131 of the FY 2018 General Appropriation Act appropriated \$15.0 million to the universities from the General Fund in FY 2018 for one-time operating expenditures or capital improvements. Of this amount, \$7.6 million was appropriated to ASU, \$3.2 million was appropriated to NAU, and \$4.2 was appropriated to UA.

Of the amounts appropriated to ASU and UA, \$1.0 million from each was restricted for use toward operating expenditures of the School of Civic and Economic Thought and Leadership and the Center for the Philosophy of Freedom, respectively. *(Please see the individual university sections for more information on the uses of these monies.)*

Intellectual Property & Technology Transfer Royalties

In conjunction with annual General Fund appropriations that fund university research facilities *(please see 2003 Research Infrastructure Refinancing section above for more information)*, A.R.S. § 15-1670 required the universities to deposit into the General Fund 20% of

income from licensure and royalty payments and 25% of income from the sale or transfer of intellectual property during the preceding fiscal year (not to exceed the state's annual General Fund appropriation for the research facilities).

While not defined in statute, the universities have interpreted "income" as gross royalties net of expenditures on legal fees (required to secure patents, etc.), the costs of managing the technology transfer process, and distributions of revenues to the inventors and their laboratories.

Laws 2017, Chapter 328 amended A.R.S. § 15-1670 to clarify the university technology transfer sale and royalty income sharing policy by requiring that for all new agreements entered into after April 30, 2017, the universities shall annually deposit:

- For the first 3 years of each licensure or royalty contract, 20% of the net income generated in the prior fiscal year.
- After the third year of each contract, 20% of the gross annual revenues generated by the contract.
- For any sale or transfer of intellectual property, 25% of the gross revenues generated by the transaction.

The law clarified that the universities may not deduct past years' cumulative losses from the amount of revenue or income subject to deposit into the General Fund.

The law also made permanent the technology transfer income sharing provisions, which would otherwise have expired in FY 2031. However, because the universities are not required to distribute more to the General Fund than they receive in capital appropriations under A.R.S. §§ 15-1670 and 15-1671 in any given year, the income sharing will effectively cease in 2043, when the final appropriations under A.R.S. § 15-1671 are made.

In terms of FY 2017 gross royalty revenues, ASU reported \$775,100 of licensing and royalty revenues, NAU reported \$45,000, and UA reported \$2.7 million.

All 3 universities reported \$0 net income on agreements entered into prior to May 1, 2017. ASU and NAU also reported \$0 net income on agreements entered into after May 1, 2017, while UA reported \$22,400. Of this amount, UA is required to deposit \$4,500 into the General Fund.

University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority

- Tuition Distribution
- Tuition Rates
- Financial Aid
- Enrollment

include \$270 for the partial continuation of a temporary surcharge first levied in FY 2016.

Table 5 only includes major tuition categories. A comprehensive list can be found on the [ABOR website](#).

Total Spending Authority

In total, the Universities’ total projected spending authority in FY 2019 is \$6.31 billion, including \$712.1 million from the General Fund and \$2.9 billion of tuition/fee collections. This latter amount is not adjusted for any FY 2019 tuition rate changes. Table 3 summarizes the FY 2019 expenditure authority amounts for the Arizona University System.

Tuition Distribution

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 gross tuition collections for the Arizona University System equal an estimated \$2.9 billion in FY 2018. Net tuition equals an estimated \$2.2 billion in FY 2018 (please see Table 4).

Tuition Rates

ABOR approved FY 2018 tuition rates on April 7, 2017.

- Since FY 2009, NAU has maintained a guaranteed tuition model for incoming freshmen. NAU increased tuition and mandatory fees by 2.7% for new undergraduate resident students.
- UA began a similar program in FY 2015. UA increased tuition and fees by 3.9% for new resident undergraduate students.
- ASU increased tuition and fees for all resident undergraduates by 1.4%. ASU's total tuition and fees

Financial Aid

The Arizona University System distributed \$2.5 billion in financial aid in FY 2017. Of the \$2.5 billion total financial aid distributions in FY 2017, the federal government financed \$1.1 billion and university institutional sources provided \$865 million. The latter includes \$674 million of foregone tuition collections in the form of waivers and awards. (Please see Table 6 for details.)

Enrollment

Between fall 2016 and fall 2017, university enrollment increased from 164,838 FTE to 170,306, or 3.3%, as displayed in Table 7. Spring enrollment is traditionally lower than the fall.

Table 3

FY 2019 Summary of Spending Authority

	Appropriated Funds			Non-Appropriated Funds		Total ^{3/}
	General Fund	Collections Fund ^{1/}	Tech & Research Fund (TRIF)	Federal Funds	Other Funds ^{2/}	
ABOR	\$ 6,887,200	\$ 0	\$ 0	\$ 0	\$ 6,527,900	\$ 13,415,100
ASU	322,036,700	681,632,600	3,600,000	412,303,800	1,572,986,000	2,992,559,100
NAU	109,873,700	157,431,100	0	94,302,400	339,089,200	700,696,400
UA-Main	204,472,400	410,094,700	0	226,449,200	1,118,581,200	1,959,597,500
UA-Health Sciences	68,859,800	49,749,000	0	108,404,100	418,424,100	645,437,000
Total	\$712,129,800	\$1,298,907,400	\$3,600,000	\$841,459,500	\$3,455,608,400	\$6,311,705,100

^{1/} Appropriated share of tuition and mandatory registration fees comprise \$1,292,207,400 of the total Collections Fund spending authority. The remaining authority is derived from miscellaneous revenues. This amount excludes FY 2019 tuition rate changes.

^{2/} Expenditures of non-appropriated funds include transfers of funds to non-operating accounts for capital and debt service expenses, which were excluded in prior years' analyses. The total expenditures of gross non-appropriated tuition are estimated to be \$1,640,288,200 based on FY 2018 amounts, as reflected in Table 4. This amount excludes FY 2019 tuition rate changes.

^{3/} Total universitywide funding includes gross tuition revenues.

Table 4**Use of FY 2018 Tuition/Fees by University ^{1/}**

	ASU	NAU	UA	Total
Appropriated				
Operating Budget ^{2/}	\$ 681,632,600	\$157,431,100	\$453,143,700	\$1,292,207,400
Non-Appropriated				
Operating Budget ^{3/}	\$ 549,235,800	\$ 81,430,500	\$202,272,100	\$ 832,938,400
Financial Aid ^{4/}	373,845,100	120,141,400	199,285,500	693,272,000
Plant Fund	20,000,000	1,000,000	4,000,000	25,000,000
Debt Service	46,425,400	14,500,000	28,152,400	89,077,800
Subtotal	\$ 989,506,300	\$217,071,900	\$ 433,710,000	\$1,640,288,200
Total Gross Tuition ^{5/ 6/}	\$1,671,138,900	\$374,503,000	\$886,853,700	\$2,932,495,600
Net Tuition ^{5/}	\$1,297,293,800	\$254,361,600	\$687,568,200	\$2,239,223,600

^{1/} As reported in FY 2018 Tuition Revenue Report submitted by ABOR in August 2017.

^{2/} Excludes miscellaneous revenues such as federal agriculture payments and land grant monies, which are included in the universities' collections accounts but do not constitute tuition revenues. These other revenues total an estimated \$6.7 million in FY 2018. Appropriated tuition includes \$10.2 million adjustment made by ABOR to the amounts originally included as part of the FY 2018 state budget to reflect estimated revenue increases resulting from the tuition setting process in spring 2017.

^{3/} Includes non-appropriated tuition revenues to be expended on instruction, organized research, public service, student services, auxiliary enterprises, and institutional support.

^{4/} Financial aid represents scholarship allowances provided by the universities (excluding federal loans, private grants, etc.) to offset the cost of tuition. Amounts include scholarship awards and tuition waivers except employee tuition reductions, which are recorded as employee benefit expenses.

^{5/} The reported gross tuition revenues reflect the amounts the universities would receive if all students paid full published tuition and fee rates. The actual amounts paid by students after accounting for tuition waivers and other gift aid awarded by the universities constitutes net tuition.

^{6/} ABOR estimates total gross tuition revenues of \$3.0 billion in FY 2019, excluding revenue increases resulting from increased tuition rates.

Table 5**Arizona University System
FY 2018 Undergraduate and Graduate Tuition ^{1/}**

	Resident Undergraduate		Resident Graduate		Non-Resident Undergraduate		Non-Resident Graduate	
	Tuition	Increase	Tuition	Increase	Tuition	Increase	Tuition	Increase
ASU	\$10,792 ^{2/}	1.4%	\$11,918	1.4%	\$27,372 ^{3/}	3.4%	\$29,854	3.4%
NAU	\$11,059	2.7%	\$10,261	2.7%	\$24,841	2.9%	\$22,609	2.9%
UA	\$12,228	3.9%	\$12,748	2.9%	\$35,658	2.0%	\$32,698	1.0%

^{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/} Includes temporary surcharge first levied in FY 2016 at \$320, which was reduced to \$270 in FY 2017 and is continued at that level in FY 2018. Overall tuition and fee increase of 1.4% for ASU undergraduate resident students.

^{3/} ABOR approved a rate of \$29,512 for international undergraduate students at ASU.

Table 6

FY 2017 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}

	Federal	State ^{2/}	Institutional ^{3/}	Private/Other ^{4/}	Total
Grants	\$270,468.3	\$704.7	\$673,619.8	\$228,456.5	\$1,173,249.3
Loans	813,169.7	156.6	0.0	353,104.3	1,166,430.6
Employment	<u>9,321.7</u>	<u>0.0</u>	<u>191,518.8</u>	<u>0.0</u>	<u>200,840.5</u>
Total	\$1,092,959.7	\$861.3	\$865,138.6	\$581,560.8	\$2,540,520.4

^{1/} Information from ABOR FY 2017 Financial Aid Report.
^{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.

Table 7

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

	Fall <u>2016</u>	Spring <u>2017</u>	Fall <u>2017</u>	Fall 2016 To Fall 2017	Fall 2017 Residents
ASU-Tempe	61,250	59,844	63,342	3.4%	33,823
ASU-DPC	17,083	17,114	18,080	5.8%	10,350
ASU-East	7,052	6,782	7,384	4.7%	3,945
ASU-West	<u>8,521</u>	<u>8,498</u>	<u>9,044</u>	<u>6.1%</u>	<u>4,724</u>
ASU Subtotal	93,906	92,238	97,850	4.2%	52,842
NAU	28,568	27,479	29,289	2.5%	19,687
UA-Main	38,690	37,828	39,425	1.9%	23,956
UA-Health Sciences	<u>3,674</u>	<u>3,654</u>	<u>3,742</u>	<u>1.9%</u>	<u>2,862</u>
UA Subtotal	42,364	41,482	43,167	1.9%	26,818
Total	164,838	161,199	170,306	3.3%	99,347

^{1/} Adjusted FTE counts as reported by ABOR include both graduate and undergraduate students and exclude excess credit hours taken by students. Spring enrollment figures are the average of the full academic year (spring and fall semesters).

SUMMARY OF FUNDS	FY 2017 Actual	FY 2018 Estimate
Arizona Health Education Center Program Fund (BRA2/A.R.S. § 5-572)		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 \$4,880,000 in FY 2017 and are expected to be \$4,941,800 in FY 2018 and \$5,013,600 in FY 2019.		
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	857,200	360,200
Year-End Fund Balance	336,100	0

SUMMARY OF FUNDS	FY 2017 Actual	FY 2018 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	3,898,000	4,561,300
Year-End Fund Balance	2,396,100	1,630,500
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 \$72,397,900 in FY 2017 and are estimated to be \$75,491,000 in FY 2018 and \$78,208,700 in FY 2019.		
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	3,434,900	3,606,100
Year-End Fund Balance	1,606,100	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.		
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. These funds are passed through to the universities, and therefore expenditures are not displayed to avoid double counting.		
Funds Expended	0	0
Year-End Fund Balance	0	0