

REFERENCE TITLE: higher education; 2026-2027.

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SB 1854

Introduced by
Senator Farnsworth (with permission of Committee on Rules)

AN ACT

**AMENDING SECTIONS 15-1626 AND 15-1650.06, ARIZONA REVISED STATUTES;
APPROPRIATING MONIES; RELATING TO HIGHER EDUCATION.**

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 15-1626, Arizona Revised Statutes, is amended to read:

15-1626. General administrative powers and duties of board; definition

A. The Arizona board of regents shall:

1. Have and exercise the powers necessary for the effective governance and administration of the institutions under the board's control. To that end, the board may adopt, and authorize each university to adopt, regulations, policies, rules or measures as are deemed necessary and may delegate in writing to the board's committees, to university presidents, or the presidents' designees, or to other entities under the board's control, any part of the board's authority ~~for the administration~~ **TO ADMINISTER** and ~~governance of~~ **GOVERN** those institutions, including those powers enumerated in section 15-1625, subsection B, paragraphs 2 and 4, paragraphs 3, 4, 8, 9, 11, 12 and 22 of this subsection and subsection B of this section. **THE BOARD MAY RESCIND** any delegation of authority ~~may be rescinded by the board~~ at any time in whole or in part.

2. Appoint and employ and determine the compensation of presidents with the power and authority and for the purposes in connection with the operation of the institutions as the board deems necessary.

3. Appoint and employ and determine the compensation of vice presidents, deans, professors, instructors, lecturers, fellows and the other officers and employees with the power and authority and for the purposes in connection with the operation of the institutions as the board deems necessary, or delegate the board's authority pursuant to paragraph 1 of this subsection.

4. Remove any officer or employee when the interests of education in this state so require in accordance with the board's personnel rules and policies.

5. Fix tuitions and fees to be charged and differentiate the tuitions and fees between institutions and between residents, nonresidents, undergraduate students, graduate students, students from foreign countries and students who have earned credit hours in excess of the credit hour threshold. For the purposes of this paragraph, the undergraduate credit hour threshold is one hundred forty-five hours for students who attend a university under the jurisdiction of the board. The undergraduate credit hour threshold shall be based on the actual full-time equivalent student enrollment counted on the forty-fifth day of every fall and spring semester, divided by two, and any budget adjustment based on student enrollment shall occur in the fiscal year following the actual full-time equivalent student enrollment count. The undergraduate credit hour threshold shall not apply to degree programs that require credit hours above the credit hour threshold, credits earned in the pursuit of up to two baccalaureate degrees, credits earned in the pursuit of up to two

1 state regulated licensures or certificates, credits earned in the pursuit
2 of teaching certification, credits transferred from a private institution
3 of higher education, credits transferred from an institution of higher
4 education in another state, credits earned at another institution of
5 higher education but that are not accepted as transfer credits at the
6 university where the student is currently enrolled and credits earned by
7 students who enroll at a university under the jurisdiction of the board
8 more than twenty-four months after the end of that student's previous
9 enrollment at a public institution of higher education in this state. On
10 or before October 15 of each year, the board shall report to the joint
11 legislative budget committee the number of in-state students and
12 out-of-state students who were enrolled at universities under the
13 jurisdiction of the board during the previous fiscal year and who met or
14 exceeded the undergraduate credit hour threshold prescribed in this
15 paragraph. The amount of tuition and fees included in the operating
16 budget for the university adopted by the board as prescribed in paragraph
17 13 of this subsection is subject to legislative appropriation and shall be
18 deposited in a separate tuition and fees subaccount for each university.
19 All other tuition and fee revenue shall be retained by each university for
20 expenditure as approved by the board in a separate local tuition and fees
21 subaccount for each university. This subaccount shall consist of only
22 tuition and fees. The universities shall not use any tuition or fee
23 revenue to fund or support an alumni association.

24 6. Adopt rules to govern the board's tuition and academic fee
25 setting process that provide for the following:

26 (a) At least one public hearing at each university as an
27 opportunity for students and members of the public to comment on any
28 proposed increase in tuition or fees.

29 (b) Publication of the notice of public hearing at least ten days
30 before the hearing in a newspaper of general circulation in Maricopa
31 county, Coconino county and Pima county. The notice shall include the
32 date, time and location of the public hearing.

33 (c) Public disclosure by each university of any proposed increases
34 in tuition or fees at least ten days before the public hearing.

35 (d) A roll call vote of any final board action on changes in
36 tuition, including tuition rate changes for online programs, or academic
37 fees.

38 (e) Public disclosure by the board and each university of any final
39 board action on changes in tuition or academic fees.

40 7. Pursuant to section 35-115, submit a budget request for each
41 institution under the board's jurisdiction that includes the estimated
42 tuition and fee revenue available to support the programs of the
43 institution as described in the budget request. The estimated available
44 tuition and fee revenue shall be based on the tuition and registration fee

1 rates in effect at the time the budget request is submitted with
2 adjustments for projected changes in enrollment as provided by the board.

3 8. Establish curricula and designate courses at the several
4 institutions that in the board's judgment will best serve the interests of
5 this state.

6 9. Award degrees and diplomas on the completion of the courses and
7 curriculum requirements that the board deems appropriate.

8 10. Prescribe qualifications for admission of all students to the
9 universities. The board shall establish policies for guaranteed admission
10 that ensure fair and equitable access to students in this state from
11 public, private and charter schools and homeschools. For the purpose of
12 determining the qualifications of honorably discharged veterans, veterans
13 are those persons who served in the armed forces for at least two years
14 and who were previously enrolled at a university or community college in
15 this state. Prior failing grades received by a veteran at the university
16 or community college in this state may not be considered.

17 11. Adopt any energy conservation standards adopted by the
18 department of administration for the construction of new buildings.

19 12. Employ for the time and purposes that the board requires
20 attorneys whose compensation shall be fixed and paid by the board.
21 Litigation to which the board is a party and for which self-insurance is
22 not provided may be compromised or settled at the direction of the board.

23 13. Adopt annually an operating budget for each university equal to
24 the sum of appropriated state general fund monies and the amount of
25 tuition and fees approved by the board and allocated to each university
26 operating budget.

27 14. In consultation with the state board of education and other
28 education groups, develop and implement a program to award honors
29 endorsements to be affixed to the high school diplomas of qualifying high
30 school pupils and to be included in the transcripts of pupils who are
31 awarded endorsements. The Arizona board of regents shall develop
32 application procedures and testing criteria and adopt testing instruments
33 and procedures to administer the program. In order to receive an honors
34 endorsement, a pupil must demonstrate an extraordinary level of knowledge,
35 skill and competency as measured by the testing instruments adopted by the
36 Arizona board of regents in mathematics, English, science and social
37 studies. Additional subjects may be added at the determination of the
38 Arizona board of regents. The program is voluntary for pupils.

39 15. Require the publisher of each literary and nonliterary textbook
40 used in the universities of this state to furnish to the board computer
41 software in a standardized format when software becomes available for
42 nonliterary textbooks from which braille versions of the textbooks may be
43 produced.

44 16. Require universities that provide a degree in education to
45 require courses that are necessary to obtain a provisional structured

English immersion endorsement as prescribed by the state board of education.

17. Acquire for each classroom United States flags that are manufactured in the United States and that are at least two feet by three feet, hardware to appropriately display the United States flags and a legible copy of the Constitution of the United States and the Bill of Rights. The board shall display the flags in each classroom in accordance with title 4 of the United States Code and display a legible copy of the Constitution of the United States and the Bill of Rights adjacent to the flag.

18. To facilitate the transfer of military personnel and their dependents to and from the public schools of this state, pursue, in cooperation with the state board of education, reciprocity agreements with other states concerning the transfer credits for military personnel and their dependents. A reciprocity agreement entered into pursuant to this paragraph shall:

(a) Address procedures for each of the following:

(i) The transfer of student records.

(ii) Awarding credit for completed coursework.

(iii) ~~Permitting~~ ALLOWING a student to satisfy the graduation requirements prescribed in section 15-701.01 through the successful performance on comparable exit-level assessment instruments administered in another state.

(b) Include appropriate criteria developed by the state board of education and the Arizona board of regents.

19. Require a university to publicly post notices of all of the university's employment openings, including the title and description, instructions for applying and relevant contact information.

20. In consultation with the community college districts in this state, develop and implement common equivalencies for specific levels of achievement on advanced placement examinations and international baccalaureate examinations in order to award commensurate postsecondary academic credits at community colleges and public universities in this state.

21. On or before August 1 of each year, report to the joint legislative budget committee the graduation rate by university campus during the previous fiscal year. The board shall also report the retention rate by university campus and by class, as determined by date of entry during the previous fiscal year.

22. Enter into an agreement with one or more career technical education district governing boards pursuant to section 15-393, subsection K if the agreement, in the board's judgment, will serve the interests of this state.

B. The Arizona board of regents shall adopt personnel policies for all employees of the board and the universities.

1 C. In conjunction with the auditor general, the Arizona board of
2 regents shall develop a uniform accounting and reporting system, which
3 shall be reviewed by the joint legislative budget committee before final
4 adoption by the board. The board shall require each university to comply
5 with the uniform accounting and reporting system.

6 D. The Arizona board of regents may employ legal assistance in
7 procuring loans for the institutions from the United States government.
8 Fees or compensation paid for legal assistance pursuant to this subsection
9 shall not be a claim on the state general fund but shall be paid from
10 funds of the institutions.

11 E. The Arizona board of regents shall approve or disapprove any
12 contract or agreement entered into by the university of Arizona hospital
13 with the Arizona industrial development authority.

14 F. The Arizona board of regents may adopt policies that authorize
15 the institutions under ~~its~~ THE BOARD'S jurisdiction to enter into
16 employment contracts with nontenured employees for periods of more than
17 one year but not more than five years. The policies must prescribe limits
18 on the authority of the institutions to enter into employment contracts
19 for periods of more than one year but not more than five years, including
20 the requirement that the board approve the contracts.

21 G. The Arizona board of regents may adopt a plan or plans for
22 employee benefits that allow participation in a cafeteria plan that meets
23 the requirements of the United States internal revenue code of 1986.

24 H. The Arizona board of regents may establish a program for the
25 exchange of students between the universities under the jurisdiction of
26 the board and colleges and universities located in the state of Sonora,
27 Mexico. Notwithstanding subsection A, paragraph 5 of this section, the
28 program may provide for in-state tuition at the universities under the
29 jurisdiction of the board for fifty Sonoran students in exchange for
30 similar tuition provisions for up to fifty Arizona students enrolled or
31 seeking enrollment in Sonoran colleges or universities. The board may
32 direct the universities to work in conjunction with the Arizona-Mexico
33 commission to coordinate recruitment and admissions activities.

34 I. The Arizona board of regents, in collaboration with the
35 universities under the board's jurisdiction, shall adopt a performance
36 funding model using performance metrics that include the increase in
37 degrees awarded, the increase in completed student credit hours and the
38 increase in externally generated research and public service funding. The
39 funding formula may give added weight to degrees related to science,
40 technology, engineering and mathematics and other high-value degrees that
41 are in short supply or that are essential to this state's long-term
42 economic development strategy.

43 J. The Arizona board of regents shall use the performance funding
44 model adopted pursuant to subsection I of this section in developing and

1 submitting budget requests for the universities under the board's
2 jurisdiction.

3 K. On or before November 1 of each year, the Arizona board of
4 regents shall submit to the joint legislative budget committee and the
5 governor's office of strategic planning and budgeting a report on
6 university debt and obligations, including:

- 7 1. Long-term notes and obligations.
8 2. Certificates of participation and other obligations pursuant to
9 any lease-purchase agreements.
10 3. Revenue bonds.
11 4. Bonds issued pursuant to section 15-1682.03.
12 5. Commercial paper issued pursuant to section 15-1696.

13 L. The report submitted pursuant to subsection K of this section
14 must contain, for the most recent fiscal year:

- 15 1. The aggregate level of outstanding principal and the principal
16 and interest payments, by type of debt or obligation.
17 2. An itemization, by campus and project, of the amount of yearly
18 principal and interest to be paid in the most recent and the next five
19 fiscal years.

20 M. The Arizona board of regents may enter into an intergovernmental
21 agreement pursuant to section 15-1747 to manage universities under the
22 board's jurisdiction subject to the terms of the reciprocity agreement.

23 N. THE ARIZONA BOARD OF REGENTS MAY RETAIN MONIES FROM THE
24 UNIVERSITIES UNDER THE BOARD'S JURISDICTION TO SUPPLEMENT THE BOARD'S
25 OPERATING BUDGET. EXCEPT AS EXPRESSLY AUTHORIZED BY THE LEGISLATURE, THE
26 TOTAL AMOUNT OF MONIES THAT THE BOARD RETAINS PURSUANT TO THIS SUBSECTION
27 MAY NOT EXCEED \$5,000,000 IN ANY FISCAL YEAR. On or before November 1,
28 ~~2025 and~~ each year ~~thereafter~~, the Arizona board of regents shall submit
29 to the joint legislative budget committee each of the following for
30 review:

31 1. The amount of monies that the board retained from each
32 university under the board's jurisdiction to supplement the board's
33 operating budget.

34 2. The board's expenditure plan for the current fiscal year for
35 monies that the board retained from each university under the board's
36 jurisdiction.

37 3. An accounting of how the board spent monies that the board
38 retained from the universities under the board's jurisdiction in the
39 immediately preceding fiscal year.

40 O. For the purposes of this section, "university debt and
41 obligations" means debt and obligations, the principal and interest of
42 which are paid in whole or in part with university monies.

1 Sec. 2. Section 15-1650.06, Arizona Revised Statutes, is amended to
2 read:

3 15-1650.06. Arizona veterinary loan assistance program; fund;
4 agreement; work requirement; annual report;
5 rules; definitions

6 A. The Arizona veterinary loan assistance program is established
7 within the Arizona board of regents.

8 B. The Arizona veterinary loan assistance fund is established
9 consisting of legislative appropriations. The board shall administer the
10 fund. Monies in the fund are continuously appropriated and are exempt
11 from the provisions of section 35-190 relating to lapsing of
12 appropriations. On notice from the ~~Arizona~~ board ~~of regents~~, the state
13 treasurer shall invest and divest monies in the fund as provided by
14 section 35-313, and monies earned from investment shall be credited to the
15 fund. The board shall use monies in the fund for the purposes prescribed
16 in this section and may retain up to three percent of the monies deposited
17 in the fund for costs associated with administering the program.

18 C. A person who obtains a doctor of veterinary medicine degree from
19 a veterinary college after January 1, 2023, WHO SATISFACTORILY PASSES THE
20 LICENSING EXAMINATION REQUIRED PURSUANT TO TITLE 32, CHAPTER 21, ARTICLE 2
21 and who signs an agreement pursuant to subsection D of this section may
22 apply to the board to participate in the program.

23 D. To participate in the program, the board shall require an
24 applicant to sign an agreement to both:

25 1. Remain and work as a full-time veterinarian in this state for
26 the following four years.

27 2. Work in one of the following practice areas for at least two of
28 the four years:

29 (a) An agricultural practice in an area designated by the United
30 States department of agriculture as having a shortage.

31 (b) A nonprofit, county or municipal shelter.

32 E. ~~At the conclusion of the four-year commitment described in~~
33 ~~subsection D of this section, the board shall determine whether the~~
34 ~~veterinarian satisfied the terms of the agreement described in subsection~~
35 ~~D of this section.~~ If the board determines that ~~the veterinarian~~
36 ~~satisfied the terms of the agreement~~ A VETERINARIAN IS AN ELIGIBLE
37 APPLICANT BASED ON THE CRITERIA PRESCRIBED BY SUBSECTION C OF THIS SECTION
38 AND THE VETERINARIAN SIGNS AN AGREEMENT described in subsection D of this
39 section, the board shall ~~distribute~~ AWARD to the veterinarian from the
40 Arizona veterinary loan assistance fund an amount that is equal to the
41 amount of the veterinarian's outstanding veterinary college educational
42 loan balance or ~~\$100,000~~ \$200,000, whichever is less. AFTER EACH YEAR
43 THAT THE VETERINARIAN WORKS IN THIS STATE PURSUANT TO THE AGREEMENT
44 DESCRIBED IN SUBSECTION D OF THIS SECTION, THE BOARD SHALL DISTRIBUTE TO
45 THE VETERINARIAN ONE-FOURTH OF THE TOTAL AMOUNT THAT THE BOARD HAS AWARDED

1 TO THE VETERINARIAN PURSUANT TO THIS SUBSECTION. The board shall
2 distribute monies from the fund subject to the availability of monies and
3 legislative appropriation and on a first-come, first-served basis. For
4 the purposes of this subsection, "educational loan balance" means the
5 balance of the principal, interest and related expenses of the educational
6 loan.

7 F. On or before October 1 of each year, the board shall compile a
8 report that details how the Arizona veterinary loan assistance fund monies
9 are being spent and shall submit this report to the governor, the
10 president of the senate and the speaker of the house of representatives.
11 The board shall submit a copy of this report to the secretary of state.

12 G. The board may adopt rules for the purposes of carrying out this
13 section.

14 H. For the purposes of this section:

15 1. "Board" means the Arizona board of regents.

16 2. "Veterinarian" has the same meaning prescribed in section
17 32-2201.

18 3. "Veterinary college" has the same meaning prescribed in section
19 32-2201.

20 Sec. 3. Financial aid trust fund; required state match;
21 reduction

22 Notwithstanding section 15-1642, subsection C, Arizona Revised
23 Statutes, for fiscal year 2026-2027, each dollar raised pursuant to the
24 surcharge on student registration fees assessed pursuant to section
25 15-1642, subsection A, Arizona Revised Statutes, may be matched by less
26 than \$2 appropriated by the legislature.

27 Sec. 4. Community college districts; state aid for science,
28 technology, engineering and mathematics and
29 workforce programs

30 Notwithstanding section 15-1464, subsection A, paragraph 3, Arizona
31 Revised Statutes, for fiscal year 2026-2027, state aid for science,
32 technology, engineering and mathematics and workforce programs for
33 community college districts is as specified in the general appropriations
34 act.

35 Sec. 5. Community college districts; operating state aid;
36 eligibility; limits

37 Notwithstanding section 15-1466, Arizona Revised Statutes, for
38 fiscal year 2026-2027, operating state aid for community college districts
39 is as specified in the general appropriations act.