

## Arizona Board of Regents

|                                              | FY 2018<br>ACTUAL | FY 2019<br>ESTIMATE | FY 2020<br>BASELINE                |
|----------------------------------------------|-------------------|---------------------|------------------------------------|
| <b>OPERATING BUDGET</b>                      |                   |                     |                                    |
| <i>Full Time Equivalent Positions</i>        | 25.9              | 25.9                | 25.9                               |
| Personal Services                            | 1,233,800         | 1,436,300           | 1,436,300                          |
| Employee Related Expenditures                | 796,900           | 548,500             | 548,500                            |
| Professional and Outside Services            | 23,900            | 38,500              | 38,500                             |
| Other Operating Expenditures                 | 318,800           | 338,800             | 338,800                            |
| Equipment                                    | 1,200             | 1,300               | 1,300                              |
| <b>OPERATING SUBTOTAL</b>                    | <b>2,374,600</b>  | <b>2,363,400</b>    | <b>2,363,400</b>                   |
| <b>SPECIAL LINE ITEMS</b>                    |                   |                     |                                    |
| Arizona Teachers Incentive Program           | 90,000            | 90,000              | 90,000                             |
| Arizona Transfer Articulation Support System | 213,700           | 213,700             | 213,700                            |
| Western Interstate Commission Office         | 149,000           | 153,000             | 153,000                            |
| WICHE Student Subsidies                      | 4,082,000         | 4,078,000           | 4,078,000                          |
| <b>AGENCY TOTAL</b>                          | <b>6,909,300</b>  | <b>6,898,100</b>    | <b>6,898,100</b> <sup>1/2/3/</sup> |

### FUND SOURCES

|                                      |                   |                   |                   |
|--------------------------------------|-------------------|-------------------|-------------------|
| General Fund                         | 6,909,300         | 6,898,100         | 6,898,100         |
| <b>SUBTOTAL - Appropriated Funds</b> | <b>6,909,300</b>  | <b>6,898,100</b>  | <b>6,898,100</b>  |
| Other Non-Appropriated Funds         | 5,861,300         | 8,675,400         | 6,974,700         |
| Federal Funds                        | 356,500           | 700               | 0                 |
| <b>TOTAL - ALL SOURCES</b>           | <b>13,127,100</b> | <b>15,574,200</b> | <b>13,872,800</b> |

**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.

### FOOTNOTES

- 1/ Within 10 days after the acceptance of the universities' semiannual all funds budget reports, the Arizona Board of Regents shall submit a current year expenditure plan to the Joint Legislative Budget Committee for review. 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 plan shall include the amount by which 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. (General Appropriation Act footnote)
- 2/ 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. (General Appropriation Act footnote)
- 3/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

#### Operating Budget

The Baseline includes \$2,363,400 and 25.9 FTE Positions from the General Fund in FY 2020 for the operating budget. These amounts are unchanged from FY 2019.

#### Arizona Teachers Incentive Program

The Baseline includes \$90,000 from the General Fund in FY 2020 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2019.

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 2018, 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 2020 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2019.

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 2020 for the Western Interstate Commission Office. This amount is unchanged from FY 2019.

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 2020 for WICHE student subsidies. This amount is unchanged from FY 2019.

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 it will provide subsidies to 163 Arizona students in FY 2020, which is (1) fewer than FY 2019. 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.

#### **Other Issues**

This section includes information on the following topics:

- Statutory Changes
- Long-Term Budget Impacts
- Arizona Teacher Academy
- Cost Containment Report
- 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

#### **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 to the Arizona Financial Aid Trust (AFAT). *(Please see Arizona Financial Aid Trust for more information.)*

#### **Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, universitywide General Fund costs are projected to decrease by \$(465,500) in FY 2021 below FY 2020, and increase by \$712,800 in FY 2022 above FY 2021.

These estimates are based on:

- A \$(1,016,300) decrease in FY 2021 and a \$150,900 increase in FY 2022 to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*

- Increases of \$550,800 and \$561,900 in FY 2021 and FY 2022, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation by 2% each year. (The GDP inflator is currently projected at 2.5% for FY 2021 and 2.7% for FY 2022; 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 Budget Reconciliation Bill (BRB) 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 221 enrolled in the Teacher Academy in FY 2018 and anticipates enrollment to increase to 478 students in FY 2019.

The FY 2019 Higher Education BRB made the statutory authorization for the Teachers Academy ongoing.

### **Cost Containment Report**

Pursuant to A.R.S. § 15-1650.03B, ABOR is required to annually report cost containment information for each of the universities. In October 2018, ABOR reported the following:

#### Tuition and Fees Increases (FY 2009 - FY 2018)

- ASU: 68.3%
- NAU: 70.9%
- UA: 80.4%

#### Growth in Faculty and Staff Salaries (FY 2009 - FY 2018)

- ASU: 52.6% salary increase per FTE;  
24.9% increase in faculty FTEs

- NAU: 46.4% salary increase per FTE;  
23.2% increase in faculty FTEs
- UA: 40.3% salary increase per FTE;  
5.3% increase in faculty FTEs

#### Changes in Credit Hour Requirements (FY 2009 - FY 2018)

ASU reported no changes in credit hour requirements, NAU reported a 1 credit hour increase for Civil Engineering, and UA reported 10 program changes that increased credit hour completion requirements by up to 9 credit hours.

#### Faculty Time Allocation

The universities report that either 40% (ASU and UA) or 50% (NAU) of faculty time is allocated to teaching, 20% is allocated to other activities – administrative duties, personal growth, services – and the remainder of faculty time is allocated to research and scholarship.

#### Non-Traditional and Low-Cost Degree Options

All 3 universities report community college pathway programs, and NAU and UA offer tuition freezes for incoming freshman, which freezes tuition rates for 8 consecutive semesters. In addition, the universities offer the following options:

- ASU: 3-year bachelor's degree programs, 10% tuition reductions for select programs in the College of Interdisciplinary Arts, and accelerated degree programs for obtaining a bachelor's and master's degree.
- NAU: Personalized learning and concurrent enrollment programs to obtain select associate's and bachelor's degrees in 2.5 years.
- UA: Accelerated master's programs and degree obtainment through distance campus networks

#### Cost Containment Actions

All 3 universities report utilizing contract renegotiations, refinancing of outstanding debt, and organizational restructuring to contain costs. In addition, the universities reported the following actions:

- ASU: Energy and water usage reductions, and eliminating jobs through layoffs, early retirement, and elimination of vacant positions.
- NAU: Low numbers of faculty and staff per student, low faculty and staff salary rates, shared services, and activity consolidations.
- UA: Low costs per degree and energy efficiency programs.

## 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.

Table 1 compares university land trust revenues from FY 2015 (prior to Proposition 123) and FY 2020. The funds will have estimated revenues of \$11,846,400 in FY 2020. (Please see the Land Department narrative for more information.)

**Table 1**

### State Land Trust Revenues: Universities <sup>1/</sup>

|                               | <u>FY 2015</u>      | <u>FY 2020</u>       |
|-------------------------------|---------------------|----------------------|
| Military Institute            | \$ 83,800           | \$ 59,000            |
| Normal Schools                | 296,600             | 565,200              |
| A&M Colleges                  | 445,100             | 1,050,900            |
| School of Mines <sup>2/</sup> | 499,800             | 1,017,400            |
| Universities Land Fund        | 3,834,800           | 9,153,900            |
| University Land Code          | 2,175,400           | 2,137,800            |
| U of A Land - 1881            | <u>1,659,400</u>    | <u>7,016,100</u>     |
| <b>Total</b>                  | <b>\$ 5,160,100</b> | <b>\$ 11,846,400</b> |

<sup>1/</sup> Includes income from the Treasurer's distribution and lease revenues from the universities' state land trust property.

<sup>2/</sup> 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 \$62-\$110 in FY 2019 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 2020. The Baseline also maintains each university's allocation of General Fund AFAT appropriations at their FY 2019 level, which appears in the individual university budgets.

Based on student fees contributed to AFAT in FY 2018, the state's match would be \$35,798,200, or an increase of \$25,757,000 over the \$10,041,200 Baseline appropriation in FY 2020.

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 2018, AFAT disbursed \$26,568,100. (Please see Table 6 for additional information on financial aid.)

## Tuition Revenues

The FY 2017 Higher Education BRB 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 July 2018 tuition revenue report projects FY 2019 gross tuition and fees to be \$3.1 billion systemwide. Of this amount, \$1.3 billion is appropriated while \$1.8 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 \$749.6 million in tuition waivers and awards in FY 2019, for a total net tuition of \$2.3 billion.

A FY 2019 General Appropriation Act footnote modifies the reporting requirements that govern ABOR's annual tuition revenue report. Rather than reporting on the incremental use of only appropriated tuition, beginning in FY 2019, ABOR must account for the expenditure of *all* tuition monies using the following categories: operating expenses, plant fund, debt service, and financial aid. ABOR is 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.

### **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 BRB 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 \$(19,900) from the General Fund in FY 2020 to adjust appropriations for research infrastructure lease-purchase payments to the universities' actual debt service obligations.

The \$(19,900) decrease in the FY 2020 Baseline reflects the lower costs in FY 2020 compared to FY 2019. Of this amount, the General Fund appropriations are adjusted \$(22,400) for ASU, \$3,300 for NAU, and \$(800) for UA. Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2019 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 appropriated \$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 2020 appropriations are allocated to each university as follows:

- ASU: \$12,165,900
- NAU: \$4,611,300
- UA: \$10,762,700
- TOTAL: \$ 27,539,900

The original FY 2019 allocated amounts 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 2019 General Appropriation Act appropriated \$8.0 million to the universities from the General Fund in FY 2019 for one-time operating expenditures or capital improvements. Of this amount, \$4.2 million was appropriated to ASU, \$1.6 million to NAU, and \$2.2 million to UA.

This one-time allocation was also funded in FY 2017 and FY 2018. Of the total \$19.0 million FY 2017 allocation, \$7.0 million was appropriated to ASU, \$4.0 million to NAU and \$8.0 million to UA. Of the total \$13.0 million FY 2018 allocation, \$6.6 million was appropriated to ASU, \$3.2 million to NAU, and \$3.2 million to UA.

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>    |
| <b>2018 - 2031</b> | <b>\$188,339,500</b> | <b>\$72,433,900</b> | <b>\$199,519,600</b> | <b>\$460,293,000</b> |

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.

Section 132 of the FY 2019 General Appropriation Act also appropriated \$2.5 million to the universities for one-time operating expenditures of the School of Civic and Economic Thought and Leadership (ASU), the Economic Policy Institute (NAU), and the Center for the Philosophy of Freedom (UA). Of the total, \$1.0 million was appropriated to each of ASU and UA, and \$500,000 was appropriated to NAU.

#### ***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).

The universities have previously 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 A.R.S. § 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 2018 gross royalty revenues, ASU reported \$760,700 of licensing and royalty revenues, NAU reported \$36,200, and UA reported \$4.1 million.

All 3 universities reported \$0 net income on agreements entered into before April 30, 2017. For agreements entered into after this date, ASU reported \$1,800, NAU

reported \$600, and UA reported \$13,900. These amounts are to be deposited to the General Fund.

### University System Summary Tables

The University Summary Tables address the following:

- Total Spending Authority
- Tuition Distribution
- Tuition Rates
- Financial Aid
- Enrollment

#### Total Spending Authority

In total, the universities' total projected spending authority in FY 2020 is \$6.63 billion, including \$712.3 million from the General Fund and \$3.1 billion of tuition/fee collections. This latter amount is not adjusted for any FY 2020 tuition rate changes. *Table 3* summarizes the FY 2020 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 \$3.1 billion in FY 2019. Net tuition equals an estimated \$2.3 billion in FY 2019 (*see Table 4*).

#### Tuition Rates

ABOR approved FY 2019 tuition rates on April 5, 2018.

- Since FY 2009, NAU has maintained a guaranteed tuition model for incoming freshmen. As a result, NAU did not increase tuition for current students, but

did institute an annual \$150 mandatory athletics fee on all students at the Flagstaff campus. NAU increased tuition and mandatory fees by 4.0% - 4.6% for new resident and nonresident undergraduate students, and 6.4% - 6.9% for new resident and nonresident graduate students at the Flagstaff campus.

- UA began a similar tuition guarantee program in FY 2015. UA increased tuition and fees 1.8% for incoming resident students and 1.9% for incoming nonresident students.
- ASU did not increase tuition for resident undergraduates, but did increase the annual mandatory health and wellness fee by \$30 for all students, for a 0.3% increase in overall tuition and mandatory fees for resident undergraduates. ASU increased overall tuition and fees by 1.6% for resident graduate students and by 3.5% for all nonresident undergraduate and graduate students. ASU's total tuition and fees for all resident students includes \$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](#).

#### Financial Aid

The Arizona University System distributed \$2.7 billion in financial aid in FY 2018. Of the \$2.7 billion total financial aid distributions in FY 2018, the federal government financed \$1.2 billion and university institutional sources provided \$974 million. The latter includes \$767 million of foregone tuition collections in the form of waivers and awards. (*Please see Table 6 for details.*)

#### Enrollment

Between fall 2017 and fall 2018, university enrollment increased from 172,389 FTE to 178,432, or 3.5%, as displayed in *Table 7*. Spring enrollment is traditionally lower than the fall.

**Table 3**

#### FY 2020 Summary of Spending Authority

|                    | Appropriated Funds   |                                |                             | Non-Appropriated Funds |                           | Total <sup>3/</sup>    |
|--------------------|----------------------|--------------------------------|-----------------------------|------------------------|---------------------------|------------------------|
|                    | General Fund         | Collections Fund <sup>1/</sup> | Tech & Research Fund (TRIF) | Federal Funds          | Other Funds <sup>2/</sup> |                        |
| ABOR               | \$ 6,898,100         | \$ 0                           | \$ 0                        | \$ 0                   | \$ 6,974,700              | \$ 13,872,800          |
| ASU                | 323,496,900          | 660,074,600                    | 3,600,000                   | 493,743,300            | 1,778,088,200             | 3,259,003,000          |
| NAU                | 107,099,200          | 160,958,900                    | 0                           | 103,299,500            | 336,395,000               | 707,752,600            |
| UA-Main            | 205,881,800          | 385,101,700                    | 0                           | 272,407,300            | 1,115,343,400             | 1,978,734,200          |
| UA-Health Sciences | 68,897,700           | 53,623,800                     | 0                           | 130,485,900            | 416,941,600               | 669,949,000            |
| <b>Total</b>       | <b>\$712,273,700</b> | <b>\$1,259,759,000</b>         | <b>\$3,600,000</b>          | <b>\$999,936,000</b>   | <b>\$3,653,742,900</b>    | <b>\$6,629,311,600</b> |

<sup>1/</sup> This amount excludes FY 2020 tuition rate changes.

<sup>2/</sup> Expenditures of non-appropriated funds include transfers of funds to non-operating accounts for capital and debt service expenses. The total expenditures of gross non-appropriated tuition are estimated to be \$1,810,820,400 based on FY 2019 amounts, as reflected in *Table 4*. This amount excludes FY 2020 enrollment growth and tuition rate changes.

<sup>3/</sup> Total universitywide funding includes gross tuition revenues.

Table 4

Use of FY 2019 Tuition/Fees by University <sup>1/</sup>

|                                          | <u>ASU</u>             | <u>NAU</u>           | <u>UA</u>            | <u>Total</u>           |
|------------------------------------------|------------------------|----------------------|----------------------|------------------------|
| <u>Appropriated</u>                      |                        |                      |                      |                        |
| Operating Budget <sup>2/</sup>           | \$ 660,074,400         | \$160,958,900        | \$438,725,500        | \$1,259,758,800        |
| <u>Non-Appropriated</u>                  |                        |                      |                      |                        |
| Operating Budget <sup>3/</sup>           | \$ 632,392,100         | \$ 86,160,300        | \$213,905,200        | \$ 932,457,600         |
| Financial Aid <sup>4/</sup>              | 401,779,500            | 132,894,800          | 214,948,100          | 749,622,400            |
| Plant Fund                               | 20,000,000             | 1,000,000            | 4,000,000            | 25,000,000             |
| Debt Service                             | <u>59,588,000</u>      | <u>16,000,000</u>    | <u>28,152,400</u>    | <u>103,740,400</u>     |
| Subtotal                                 | \$1,113,759,600        | \$236,055,100        | \$ 461,005,700       | \$1,810,820,400        |
| <b>Total Gross Tuition <sup>5/</sup></b> | <b>\$1,773,834,000</b> | <b>\$397,014,000</b> | <b>\$899,731,200</b> | <b>\$3,070,579,200</b> |
| <b>Net Tuition <sup>5/</sup></b>         | <b>\$1,372,054,500</b> | <b>\$264,119,200</b> | <b>\$684,783,100</b> | <b>\$2,320,956,800</b> |

<sup>1/</sup> As reported in FY 2019 Tuition Revenue Report submitted by ABOR in July 2018.

<sup>2/</sup> Appropriated tuition includes \$(44.1) million adjustment made by ABOR to the amounts originally included as part of the FY 2019 state budget to reflect estimated revenue adjustments resulting from the tuition setting process in spring 2018.

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

<sup>4/</sup> 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.

<sup>5/</sup> 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.

Table 5

Arizona University System  
FY 2019 Undergraduate and Graduate Tuition <sup>1/</sup>

|     | <u>Resident Undergraduate</u> |                 | <u>Resident Graduate</u> |                 | <u>Non-Resident Undergraduate</u> |                 | <u>Non-Resident Graduate</u> |                 |
|-----|-------------------------------|-----------------|--------------------------|-----------------|-----------------------------------|-----------------|------------------------------|-----------------|
|     | <u>Tuition</u>                | <u>Increase</u> | <u>Tuition</u>           | <u>Increase</u> | <u>Tuition</u>                    | <u>Increase</u> | <u>Tuition</u>               | <u>Increase</u> |
| ASU | \$10,822 <sup>2/</sup>        | 0.3%            | \$12,114                 | 1.6%            | \$28,336 <sup>3/</sup>            | 3.5%            | \$30,906                     | 3.5%            |
| NAU | \$11,564                      | 4.6%            | \$10,970                 | 6.9%            | \$25,828                          | 4.0%            | \$24,056                     | 6.4%            |
| UA  | \$12,447                      | 1.8%            | \$12,980                 | 1.8%            | \$36,346                          | 1.9%            | \$33,329                     | 1.9%            |

<sup>1/</sup> 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.

<sup>2/</sup> 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 2019.

<sup>3/</sup> ABOR approved a rate of \$30,552 for international undergraduate students at ASU.

Table 6

**FY 2018 Financial Aid Distribution by Source**  
(\$ in Thousands) <sup>1/</sup>

|              | <u>Federal</u>       | <u>State</u> <sup>2/</sup> | <u>Institutional</u> <sup>3/</sup> | <u>Private/Other</u> <sup>4/</sup> | <u>Total</u>         |
|--------------|----------------------|----------------------------|------------------------------------|------------------------------------|----------------------|
| Grants       | \$311,773.1          | \$807.3                    | \$767,265.7                        | \$231,152.9                        | \$1,310,999.0        |
| Loans        | 828,296.1            | 268.0                      | 0.0                                | 355,500.3                          | 1,184,064.4          |
| Employment   | 10,777.0             | 0.0                        | 206,715.5                          | 0.0                                | 217,492.5            |
| <b>Total</b> | <b>\$1,150,846.2</b> | <b>\$1,075.3</b>           | <b>\$973,981.2</b>                 | <b>\$586,653.2</b>                 | <b>\$2,712,555.9</b> |

<sup>1/</sup> Information from ABOR FY 2018 Financial Aid Report.

<sup>2/</sup> State sources of aid include revenues from the Commission for Postsecondary Education.

<sup>3/</sup> Institutional sources of aid include revenues from: Local Retention, the Collegiate License Plate Fund, Foundation funds, and Financial Aid Carry Forward from previous years.

<sup>4/</sup> 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** <sup>1/</sup>

|                                  | <u>Fall</u><br><u>2017</u> | <u>Spring</u><br><u>2018</u> | <u>Fall</u><br><u>2018</u> | <u>Fall 2017</u><br><u>To Fall 2018</u> | <u>Fall 2018</u><br><u>Residents</u> |
|----------------------------------|----------------------------|------------------------------|----------------------------|-----------------------------------------|--------------------------------------|
| ASU-Tempe                        | 63,342                     | 61,830                       | 66,521                     | 5.0%                                    | 34,999                               |
| ASU-DPC                          | 18,080                     | 18,039                       | 19,299                     | 6.7%                                    | 10,601                               |
| ASU-East                         | 7,384                      | 7,126                        | 7,568                      | 2.5%                                    | 4,042                                |
| ASU-West                         | 9,044                      | 9,033                        | 10,346                     | 14.4%                                   | 5,036                                |
| <b>ASU Subtotal</b>              | <b>97,850</b>              | <b>96,028</b>                | <b>103,734</b>             | <b>6.0%</b>                             | <b>54,678</b>                        |
| NAU                              | 29,289                     | 28,092                       | 29,274                     | -0.1%                                   | 19,559                               |
| UA-Main                          | 39,374                     | 37,282                       | 39,632                     | 0.7%                                    | 23,999                               |
| UA-Health Sciences               | 5,876                      | 5,060                        | 5,792                      | -1.4%                                   | 4,485                                |
| <b>UA Subtotal</b> <sup>2/</sup> | <b>45,250</b>              | <b>42,342</b>                | <b>45,424</b>              | <b>0.4%</b>                             | <b>28,484</b>                        |
| <b>Total</b>                     | <b>172,389</b>             | <b>166,462</b>               | <b>178,432</b>             | <b>3.5%</b>                             | <b>102,721</b>                       |

<sup>1/</sup> 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).

<sup>2/</sup> The University of Arizona revised fall 2017 and spring 2018 FTE counts from prior year reports.

**SUMMARY OF FUNDS**

**FY 2018**  
**Actual**

**FY 2019**  
**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 \$4,937,900 in FY 2018 and are expected to remain at \$4,937,900 in FY 2019 and FY 2020.

**Funds Expended**

0 0

**Year-End Fund Balance**

0 0

| SUMMARY OF FUNDS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | FY 2018<br>Actual | FY 2019<br>Estimate     |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------------|
| <b>Federal Funds (BRA2000/A.R.S. § 15-1666)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Grants from the United States Department of Education.                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   |                         |
| <b>Purpose of Fund:</b> 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.                                                                                                                                                                                                                                                                                        |                   |                         |
| <b>Funds Expended</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 356,500           | 700                     |
| <b>Year-End Fund Balance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 700               | 0                       |
| <b>Regents Local Fund (BRA1/A.R.S. § 15-1626)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> Contributions of retained tuition from the 3 universities.                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                   |                         |
| <b>Purpose of Fund:</b> To supplement the ABOR operating budget.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   |                         |
| <b>Funds Expended</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 4,224,700         | 5,069,500               |
| <b>Year-End Fund Balance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 4,256,800         | 1,947,800               |
| <b>Technology and Research Initiative Fund (BRA2472/A.R.S. § 15-1648)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> 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 \$77,395,600 in FY 2018 and are estimated to be \$74,504,400 in FY 2019 and \$78,102,000 in FY 2020.                                                                                                                                                                                                                                    |                   |                         |
| <b>Purpose of Fund:</b> 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. |                   |                         |
| <b>Funds Expended</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 1,636,600         | 3,605,900               |
| <b>Year-End Fund Balance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 0                 | 0                       |
| <b>Trust Land Fund (BRA3131/3132/3134/3136/A.R.S. § 15-1662)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                   | <b>Non-Appropriated</b> |
| <b>Source of Revenue:</b> 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.                                                                                                                                                                                                            |                   |                         |
| <b>Purpose of Fund:</b> 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.                                                                                                                                                  |                   |                         |
| <b>Funds Expended</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 0                 | 0                       |
| <b>Year-End Fund Balance</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | 0                 | 0                       |