

Arizona Board of Regents

	FY 2020 ACTUAL	FY 2021 ESTIMATE	FY 2022 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	25.9	25.9	25.9
Personal Services	1,486,000	1,632,100	1,556,700
Employee Related Expenditures	508,900	594,800	591,400
Professional and Outside Services	33,700	75,500	75,500
Other Operating Expenditures	373,100	181,300	196,100
Equipment	1,300	1,600	1,600
OPERATING SUBTOTAL	2,403,000	2,485,300	2,421,300
SPECIAL LINE ITEMS			
Adaptive Athletics	160,000	160,000	160,000 ^{1/}
Arizona Promise Program	0	0	7,500,000
Arizona Teachers Academy	14,997,400	15,000,000	15,000,000
Arizona Teachers Incentive Program	90,000	90,000	90,000
Arizona Transfer Articulation Support System	213,700	213,700	213,700
Washington, D.C. Internships	300,000	300,000 ^{2/}	300,000 ^{3/}
Western Interstate Commission Office	153,000	153,000	153,000
WICHE Student Subsidies	4,078,000	4,078,000	4,078,000
AGENCY TOTAL	22,395,100	22,480,000	29,916,000 ^{4/5/6/}
FUND SOURCES			
General Fund	22,395,100	22,480,000	29,916,000
SUBTOTAL - Appropriated Funds	22,395,100	22,480,000	29,916,000
Other Non-Appropriated Funds	7,644,400	8,751,100	8,751,100
Federal Funds	250,000	6,000,000	6,000,000
TOTAL - ALL SOURCES	30,289,500	37,231,100	44,667,100

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.

FOOTNOTES

- ^{1/} The Arizona board of regents shall distribute monies appropriated for the adaptive athletics line item to each university under the jurisdiction of the board to maintain and operate an intercollegiate adaptive athletics program that provides opportunities for competitive wheelchair and adaptive sports to students and community members with disabilities. The monies may be spent only when the university collects matching monies of gifts, grants and donations for the intercollegiate adaptive athletics program from sources other than this state. Universities may spend the monies only on scholarships, equipment, uniforms, travel expenses and tournament fees for participants in the intercollegiate adaptive athletics program. The monies may not be used for administrative costs, personal services or employee related expenditures. (General Appropriation Act footnote)
- ^{2/} The appropriation made by Laws 2020, chapter 58, section 90 for the Washington, D.C. internships line item is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations, until June 30, 2022. (General Appropriation Act footnote)
- ^{3/} The Arizona board of regents shall distribute monies appropriated for Washington, D.C. internships in equal amounts to each of the three universities under the jurisdiction of the board to provide full-time students with student internships in Washington, D.C. in partnership with a third-party organization. The Arizona board of regents shall reallocate any monies that are unspent on March 15, 2022 and shall make the monies available to any full-time student enrolled at a university under the jurisdiction of the board to provide student internships in Washington, D.C. The third-party organization must meet the following requirements:

1. Have partnerships with Washington, D.C.-based organizations to provide full-time, semester-long student internships.
 2. Provide at least one academic course and a full-time internship schedule Monday through Thursday each week throughout the duration of student internships.
 3. Have the ability to place as many students in internships as needed by the universities.
 4. Have experience placing students in internships for at least ten consecutive years.
 5. Have dedicated staff to ensure that student interns have access to internships in their areas of interest.
 6. Have fully furnished housing available for student interns. (General Appropriation Act footnote)
- 4/ Within ten 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)
- 5/ 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)
- 6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$2,421,300 and 25.9 FTE Positions from the General Fund in FY 2022 for the operating budget. FY 2022 adjustments are as follows:

Statewide Adjustments

The budget includes a decrease of \$(64,000) from the General Fund in FY 2022 for statewide adjustments. (Please see the Agency Detail and Allocations section.)

Adaptive Athletics

The budget includes \$160,000 from the General Fund in FY 2022 for Adaptive Athletics. This amount is unchanged from FY 2021.

ABOR is required to distribute monies in this line item to the 3 state universities for intercollegiate adaptive athletics programs for students with physical challenges. These programs may only use this appropriation when matching monies are collected, and may only use monies for scholarships, equipment, uniforms, travel expenses, and tournament fees for program participants. ABOR distributed monies in this line item to the University of Arizona in FY 2021.

Arizona Promise Program

The budget includes \$7,500,000 from the General Fund in FY 2022 for the Arizona Promise Program. FY 2022 adjustments are as follows:

New Program

The budget includes an increase of \$7,500,000 from the General Fund in FY 2022 to fund the Arizona Promise Program. The program was established by the FY 2022 Higher Education Budget Reconciliation Bill (BRB) to provide financial assistance to full-time university students who meet certain requirements. Monies for the program are deposited to the Arizona Promise Program Fund and up to 3% of the monies can be used to pay for marketing and administration expenses.

Arizona Teachers Academy

The budget includes \$15,000,000 from the General Fund in FY 2022 for the Arizona Teachers Academy. This amount is unchanged from FY 2021.

The Arizona Teachers Academy provides tuition and fee awards to university students enrolled in education and non-education majors, community college students enrolled in post-baccalaureate teacher certification programs, and teachers seeking national board certification. For every year of receipt, students agree to teach 1 year in an Arizona public school.

Monies appropriated in this line item are deposited to the Arizona Teachers Academy Fund. ABOR provides centralized administrative processes for the academy, including distributing appropriated monies to eligible postsecondary institutions.

Table 1

Arizona Teachers Academy Funding			
	<u>FY 2021</u>	<u>FY 2022</u>	<u>FY 2023</u>
General Fund	\$15,000,000	\$15,000,000	\$15,000,000
CARES Act GEERF	6,000,000	-	-
Proposition 207	15,000,000	-	-
Proposition 208	-	-	<u>24,808,800</u>
Total	\$36,000,000	\$15,000,000	\$39,808,800

The Coronavirus Aid, Relief, and Economic Security (CARES) Act distributes funds from the Governor's Emergency Education Relief Fund (GEERF) to states as part of the federal COVID-19 response. Monies received by the state are distributed to education-related entities at the Governor's discretion and are required to be allocated within one year of receipt. The Governor's Office allocated \$6,000,000 from GEERF to ABOR for the Arizona Teachers Academy. The CARES Act requires these monies to be obligated by September 30, 2022.

Proposition 207, approved by voters in the November 2020 general election, legalizes the sale and consumption of marijuana and marijuana products for adults 21 years of age and older. The initiative includes a one-time transfer of \$15,000,000 from the Medical Marijuana Fund to the Arizona Teachers Academy Fund. *(See the Department of Health Services section for additional information.)*

Proposition 208, approved by voters in the November 2020 general election, established the Student Support and Safety Fund, which receives monies from a 3.5% income tax surcharge for taxable income in excess of \$250,000 for single taxpayers and \$500,000 for married persons. After monies in the fund are used by state agencies for administrative costs of the initiative, ABOR receives a distribution of 3% from the fund. In the first full year of implementation, ABOR is estimated to receive a distribution of \$24,808,800. This distribution is likely to occur in FY 2023. *(Please see the Department of Education - Other Issues Section for more information.)*

Statute previously set annual award amounts at \$10,000 for graduate students, \$5,000 for undergraduate students, \$3,000 for community college students, and \$2,500 for national board certification students. Proposition 208 eliminates these award amounts and allows awards up to the actual cost of tuition and fees after all other aid is received for both resident and non-resident students. As a result, non-resident students who were previously limited to awards of \$5,000 for undergraduate programs and \$10,000 for graduate programs may become eligible for awards that will cover a

more significant portion of their tuition and fee costs. The initiative also eliminates a requirement that the appropriation for the academy be reduced each fiscal year by the amount of monies remaining in the fund at the end of the prior fiscal year.

Prior to voter approval of Proposition 208, the Legislature enacted Laws 2020, Chapter 85, which amended the program to allow academy graduates to fulfill their service commitment by teaching in schools primarily serving public school students with disabilities, require universities to admit freshman and sophomore students to the academy, add accelerated models for teachers who are currently teaching dual enrollment courses, and allow colleges that are owned, operated or chartered by an Indian tribe to participate in the academy. Since these changes were not included in the ballot initiative, there were 2 different versions of the Arizona Teachers Academy statute. Laws 2021, Chapter 43 combines the initiative changes with the Laws 2020, Chapter 85 changes and repeals the other version of the statute.

Including the base appropriation of \$15,000,000 from the General Fund, total Arizona Teachers Academy resources will be approximately \$36,000,000 in FY 2021 and \$15,000,000 in FY 2022. The academy will receive approximately \$39,808,800 on an ongoing basis beginning in FY 2023 (see *Table 1*).

ABOR is required to submit a report to JLBC by March 1 of each year, which includes current academy enrollment and estimated monies committed from the appropriation. A second report is due September 1, which includes data for the number of students completing the academy, students continuing in the academy, students in repayment, and ABOR's methodology for distributing monies appropriated for the academy.

In FY 2020, 2,707 students were enrolled in the academy, of which 1,748 are undergraduate students, 292 are graduate students, 327 are community college post-baccalaureate students, 340 are teachers seeking a national board certification. The entire \$15,000,000 appropriation was spent in FY 2020, with \$14,550,000 being used for scholarships and \$450,000 being used for marketing and administrative expenses.

Arizona Teachers Incentive Program

The budget includes \$90,000 from the General Fund in FY 2022 for the Arizona Teachers Incentive Program (ATIP). This amount is unchanged from FY 2021.

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. ATIP distributes \$50,000 in loans among 10 students each year, as well as \$40,000 to the UA College of Education for deaf and blind instructional resources.

Arizona Transfer Articulation Support System

The budget includes \$213,700 from the General Fund in FY 2022 for the Arizona Transfer Articulation Support System (ATASS). This amount is unchanged from FY 2021.

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 contribute \$277,200 to the system each year. The 3 state universities also contribute a combined \$277,200 to the system each year.

Washington, D.C. Internships

The budget includes \$300,000 from the General Fund in FY 2022 for Washington, D.C. Internships. This amount is unchanged from FY 2021.

ABOR distributes monies in this line item in equal amounts to each of the 3 state universities to provide internships in partnership with a third-party organization. These monies fund approximately 40 student internships each year.

Western Interstate Commission Office

The budget includes \$153,000 from the General Fund in FY 2022 for the Western Interstate Commission Office. This amount is unchanged from FY 2021.

Monies in this line item pay the state's share of administrative expenditures for the Western Interstate Commission on Higher Education (WICHE), in accordance with A.R.S. § 15-1742. The WICHE central office sets the administrative fee.

WICHE Student Subsidies

The budget includes \$4,078,000 from the General Fund in FY 2022 for WICHE student subsidies. This amount is unchanged from FY 2021.

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

In FY 2020, ABOR provided subsidies to 166 Arizona students. 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
- FY 2022 27th Pay Period Funding
- Commission for Postsecondary Education Transfer
- Land Trust Funds
- Arizona Financial Aid Trust
- 2003 Research Infrastructure Refinancing
- 2017 University Capital Infrastructure Funding
- One-Time Funding
- COVID-Related Spending
- University System Summary Tables

Statutory Changes

The FY 2022 Higher Education BRB makes the following statutory changes:

- As session law, continues 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).

- As permanent law, revise the current annual inflation adjustment for university capital infrastructure appropriations beginning in FY 2023. Current law requires the adjustment to be based off full calendar year growth rates. The revised calculation would be based on the growth rate from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year to avoid timing issues between the release of preceding year inflation data and enactment of the budget. Using second quarter data will provide certainty in the level of the annual appropriation.
- As permanent law, establish the Agriculture Workforce Development Program in the University of Arizona Cooperative Extension Office to provide reimbursements to food-producing agricultural organizations for the costs of hiring apprentices and require the university to submit a report to the Governor, President of the Senate, and the Speaker of the House of Representatives on December 1 of each year regarding the effectiveness of the program.
- As permanent law, allow a university under the jurisdiction of the Arizona Board or Regents to offer pro bono assistance to claimants who are small landowners in the general stream adjudication of water rights. Require the university to submit a report on the university's assistance activities to the Governor, Speaker of the House of Representatives, and Senate President on November 15 of each year.
- As permanent law, establish the Arizona Promise Program to provide financial assistance to full-time university students who meet certain requirements. Requires the Arizona Board of Regents to guarantee awards to university students. Establishes the Arizona Promise Program Fund in the Arizona Board of Regents consisting of legislative appropriations and other monies for administering the program and limit fund expenditures for marketing and administering the program to 3% of monies in fund each fiscal year.
- As permanent law, prohibit the universities from mandating that students obtain a COVID-19 vaccination, show proof of vaccination, or place any conditions on attendance or participation in classes or academic activities if a person choose not to obtain a vaccine or disclose vaccination status. Students participating in in clinical settings at a healthcare institution may be required to provide proof of COVID-19 vaccination as determined by the healthcare institution. Allows universities to require COVID-19 testing only if there is a significant outbreak in shared student housing and with approval from DHS. States that these requirements do not apply to

students participating in research involving the live COVID-19 virus.

- As session law, eliminate the requirement that the universities use \$376,000,000 in SPEED bond authority for the projects on the Phoenix Biomedical Campus.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, universitywide General Fund costs are projected to decrease by \$(45,057,000) in FY 2023 below FY 2022, and increase by \$538,700 in FY 2024 above FY 2023. These estimates are based on:

- A \$(37,437,600) decrease in FY 2023 to remove one-time operating funding.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the ASU Eastern Europe Cultural Collaborative.
- A decrease of \$(2,750,000) in FY 2023 to remove one-time funding for ASU SCETL.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the ASU Political History and Leadership Program.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the NAU Economic Policy Institute.
- A \$(1,250,000) decrease in FY 2023 to remove one-time funding for the UA Center for the Philosophy of Freedom.
- A \$(3,500,000) decrease in FY 2023 to remove one-time UA wind tunnel funding.
- A \$(250,000) decrease in FY 2023 to remove one-time funding for the UA Kazakhstan Studies Program.
- Increases of \$275,500 and \$10,300 in FY 2023 and FY 2024, respectively, to adjust for university debt service costs. *(Please see the 2003 Research Infrastructure Refinancing narrative for more information.)*
- Increases of \$605,100 and \$528,400 in FY 2023 and FY 2024, respectively, to increase the universities' annual Capital Infrastructure Funding appropriation. *(Please see the 2017 University Infrastructure Funding narrative in the Capital Outlay - ABOR Building System section for more information.)*

FY 2022 27th Pay Period Funding

The enacted budget included funding to state agencies for an additional 27th pay period that will occur in FY 2021. Due to differences in pay periods, the Universities will have a 27th pay period 1 year after the rest of state government. In total, the Universities were allocated \$20,052,100 General Fund and \$36,887,300 Other Appropriated Funds for 27th pay period costs in FY 2022.

Section 118 of the FY 2021 General Appropriation Act appropriated funding for this issue in FY 2022 as follows:

- ASU – \$28,386,400, which includes \$9,115,000 from the General Fund and \$19,271,400 from the University Collections Fund (appropriated tuition revenue)
- NAU – \$7,798,100, which includes \$2,939,500 from the General Fund and \$4,858,600 from the University Collections Fund
- UA Main Campus – \$16,483,100, which includes \$5,540,800 from the General Fund and \$10,942,300 from the University Collections Fund
- UA Health Sciences Center – \$4,271,800, which includes \$2,456,800 from the General Fund and \$1,815,000 from the University Collections Fund

Commission for Postsecondary Education Transfer

The FY 2022 Higher Education BRB, as permanent law, repeals the Commission for Postsecondary Education (CPSE) and transfers its responsibilities to ABOR beginning January 1, 2022. The FY 2022 column of the ABOR budget display does not reflect this transfer. (See the Commission for Postsecondary Education section for more information.)

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 2 compares university land trust revenues from FY 2015 (prior to Proposition 123) and FY 2022. The funds will have estimated revenues of \$14,230,600 in FY 2022. (Please see the Land Department narrative for more information.)

	FY 2015	FY 2022
Military Institute	\$ 83,800	\$ 97,300
Normal Schools	296,600	545,700
A&M Colleges	445,100	1,216,000
School of Mines ^{2/}	499,800	1,200,100
Universities Land Fund	3,834,800	11,171,500
University Land Code	2,175,400	3,401,700
U of A Land - 1881	<u>1,659,400</u>	<u>7,769,800</u>
Total	\$ 5,160,100	\$ 14,230,600

^{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 \$60-\$112 in FY 2021 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 FY 2022 Higher Education BRB continues to suspend the statutory requirement that the state provide a 2:1 ratio of state funding to student fees in FY 2022. The budget also maintains each university's FY 2022 allocation of General Fund AFAT appropriations at their FY 2021 level, which appears in the individual university budgets. Based on student fees contributed to AFAT in FY 2020, the state’s match would be \$42,972,200, or an increase of \$32,931,000 over the \$10,041,200 appropriation in FY 2022.

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 addition to student fee revenue, the FY 2020 Higher Education Budget Reconciliation Bill (BRB) requires universities to deposit 20% of cumulative net income from the sale of transfer of intellectual property exceeding \$1,000,000 to AFAT. Universities previously deposited a portion of income to the General Fund. In FY 2021, UA will deposit \$664,500 to AFAT from net income received on the sale or transfer of intellectual property. ASU and NAU will not have net income for deposit to AFAT in FY 2021.

In FY 2020, AFAT disbursed \$29,160,100. *(Please see Table 7 for additional information on financial aid.)*

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 3 for more information.)*

The FY 2022 budget includes an increase of \$150,900 from the General Fund in FY 2022 to adjust appropriations for research infrastructure lease-purchase payments to the universities' actual debt service obligations. Of this amount, the General Fund appropriations are adjusted \$(6,800) for ASU, \$160,300 for NAU, and \$(2,600) for UA.

Since this funding appears in A.R.S. § 15-1670, this funding will not appear in the FY 2022 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 2022 budget includes an increase of \$344,700 from the General Fund in FY 2022, or 1.23%, for the inflation adjustment. Of this amount, the General Fund appropriations are adjusted \$152,300 for ASU, \$57,700 for NAU, and \$134,700 for UA.

Statute currently requires the inflation adjustment to be calculated based on the growth rate from the second preceding calendar year to the calendar year immediately preceding the fiscal year. Accordingly, the FY 2022 budget makes the FY 2022 adjustment based on the growth rate from CY 2019 to CY 2020.

Given the timing of standard data revisions by the Bureau of Economic Analysis (BEA), the preceding year GDP may not be available until after enactment of the budget. To ensure certainty of our estimate, the FY 2022 Higher Education BRB includes a statutory change that the growth rate be determined using a full year's data in the second quarter of a calendar year. As a result, the

Table 3

FY 2018 – 2031 Research Infrastructure Appropriations

<u>Fiscal Year</u>	<u>ASU</u>	<u>NAU</u>	<u>UA</u>	<u>Total</u>
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.

provision will increase the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year. In FY 2023, the adjustment will be calculated based on the change from the second quarter of CY 2020 to the second quarter of CY 2021.

The allocation of the original FY 2019 \$27,000,000 statutory amount was based on each university's share of the systemwide transaction privilege tax (TPT) collections in FY 2016.

One-Time Funding

The universities received One-Time Funding appropriations from FY 2017 to FY 2020 for one-time capital improvements or operating expenditures. The FY 2021 budget did not include monies for one-time funding. The FY 2022 budget does include monies for One-Time Funding, with the monies being included in the Universities operating budget appropriations.

(See Table 4 for a history of the allocation by university.)

	<u>FY '17</u>	<u>FY '18</u>	<u>FY '19</u>	<u>FY '20</u>	<u>FY '22</u>
ASU	\$ 7.0	\$ 6.6	\$ 4.2	\$18.9	\$18.8
NAU	4.0	3.2	1.6	6.7	9.0
UA	<u>8.0</u>	<u>3.2</u>	<u>2.2</u>	<u>9.5</u>	<u>9.6</u>
Total	\$19.0	\$13.0	\$ 8.0	\$35.0 ^{1/}	\$37.4

^{1/} Numbers do not add due to rounding.

COVID-Related Spending

As part of the state response to COVID-19, the Executive has allocated monies to the universities for mitigation, distance learning, furlough prevention, and other COVID-related costs. As of June 2021, the Executive's spending plan included \$123,000,000 from the federal Coronavirus

Relief Fund for university costs, of which \$46,000,000 is for ASU, \$46,000,000 is for UA, \$23,000,000 is for NAU, and \$8,000,000 is for testing costs at all three universities.

In addition to the Executive allocations, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the 2021 Consolidated Appropriations Act (CAA), and the American Rescue Plan (ARP) Act distribute funds from the Higher Education Emergency Relief Fund to institutions of higher education (IHE) based on the relative share of full-time equivalent students of in-person Pell grant recipients enrolled at the institution. The CARES and ARP Acts require that 50% of monies received be distributed to students as emergency financial aid grants. The CAA requires student grants to be awarded in an at least an equivalent amount to grants provided under the CARES Act allocations.

The federal relief packages also require additional monies to be distributed to Historically Black Colleges and Universities, American Indian Tribally Controlled Colleges and Universities, Minority Serving Institutions, and Strengthening Institutions Program participants.

Arizona's public universities have received a total of \$661,025,459 from the Higher Education Emergency Relief Fund. (Please see Table 5 for distributions by university and the COVID-Related Spending Summary at the front of this book for more information).

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 2022 is \$7.0 billion, including \$878.3 million from the General Fund and \$3.2 billion of

	<u>CARES Act ^{1/}</u>	<u>CAA ^{2/}</u>	<u>ARP Act ^{3/}</u>	<u>Total</u>	<u>Student Grants</u>
ASU	\$ 63,533,137	\$112,906,424	\$191,373,341	\$367,812,902	\$165,813,873
NAU	24,734,965	37,511,826	66,183,680	128,430,471	57,571,054
UA	<u>33,268,877</u>	<u>47,971,859</u>	<u>83,541,350</u>	<u>164,782,086</u>	<u>73,202,574</u>
Total	\$121,536,979	\$198,390,109	\$341,098,371	\$661,025,459	\$296,587,501

^{1/} CARES Act distributions are available to spend through September 30, 2022.
^{2/} CAA distributions are available to spend through September 30, 2023.
^{3/} ARP Act distributions are available to spend through September 30, 2024.

tuition/fee collections. This latter amount is not adjusted for any FY 2022 tuition rate changes. *Table 6* summarizes the FY 2022 expenditure authority amounts for the Arizona University System.

Tuition Distribution

A.R.S. § 15-1626 allows the universities to retain a portion of tuition collections for expenditures, as approved by ABOR. These “locally” retained tuition monies are considered non-appropriated and are deposited into accounts labeled as “Designated” funds. Any remaining tuition revenues are deposited to university “Collections” funds as part of the appropriated budget. While Financial Aid and Debt Service are primarily non-appropriated, general operating expenses are paid from both appropriated and non-appropriated tuition accounts.

ABOR's September 2020 tuition revenue report projected FY 2021 gross tuition and fees to be \$3.2 billion systemwide. Of this amount, \$1.0 billion is appropriated while \$2.2 billion is non-appropriated (see *Table 7*). ABOR submitted a revised tuition revenue report in November 2020 projecting FY 2021 gross tuition and fee revenues to be \$3.4 billion, or \$158.4 million above the initial September projections. ASU's tuition projections remained unchanged and NAU and UA estimates increased by \$9.0 million and \$149.4 million, respectively.

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. In September 2020, the universities projected \$873.2 million in tuition waivers and awards in FY 2021, for a total net tuition of \$2.4 billion. This would represent a (2.7)% decrease in net tuition revenues from FY 2020, or \$(65.9) million. Of this amount, ASU estimated net tuition will increase by \$98.8 million and NAU and UA estimated net tuition will decrease by \$(36.2) million and \$(128.5) million, respectively. These estimates were calculated by

the universities based on expected changes in enrollment during the COVID-19 pandemic.

ABOR's revised November 2020 report also included updated projections for tuition waivers and awards, which increased \$48.7 million from the September report, for total systemwide awards of \$921.9 million. After all awards the universities estimate net tuition revenues will be \$2.5 billion. This would represent a 1.8% increase in net tuition revenues from FY 2020, or \$43.8 million. Of this amount, ASU estimates net tuition will increase by \$98.8 million and NAU and UA estimate net tuition will decrease by \$(33.2) million and \$(21.8) million, respectively. These revised estimates are based on actual fall 2020 enrollment.

See *Table 8* for a comparison of FY 2020 budget revenues and ABOR's FY 2021 revenues from September and November FY 2021 report estimates.

Tuition Rates

ABOR approved FY 2022 tuition rates on April 15, 2021:

- ASU increased rates for undergraduate students (both resident and non-resident) by 0.1% for a student-initiated fee increase. 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 increased tuition and mandatory fees by 4.5% for resident graduate students, 0.5% for non-resident undergraduate students and 4.8% for non-resident graduate students.
- UA began a similar tuition guarantee program in FY 2015. UA increased tuition and fees by 1.3% for resident graduate students and non-resident undergraduate students and 0.7% for non-resident graduate students.

	Appropriated Funds		Non-Appropriated Funds		Total ^{3/}
	General Fund ^{1/}	Collections Fund ^{1/}	Federal Funds	Other Funds ^{2/}	
ABOR	\$ 29,916,000	\$ 0	\$ 6,000,000	\$ 8,751,100	\$ 44,667,100
ASU	385,261,900	599,978,900	549,744,300	2,195,944,100	3,730,929,200
NAU	135,452,400	139,466,800	124,590,900	291,709,500	691,219,600
UA-Main	250,739,100	317,757,200	195,421,000	1,125,969,200	1,889,886,500
UA-Health Sciences	<u>76,897,700</u>	<u>56,863,400</u>	<u>135,638,400</u>	<u>362,726,500</u>	<u>632,126,000</u>
Total	\$878,267,100	\$1,114,066,300	\$1,011,394,600	\$3,985,100,400	\$6,988,828,400

^{1/} The General Fund amounts exclude monies appropriated for the University 27th Pay Period. The Collections Fund amounts exclude FY 2022 tuition rate changes and monies appropriated for the University 27th pay period.

^{2/} 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 \$2,204,457,200 based on FY 2021 amounts, as reflected in *Table 7*. This amount excludes FY 2022 enrollment growth and tuition rate changes.

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

Table 9 only includes major tuition categories at main university campuses. A comprehensive list can be found on the [ABOR website](#).

COVID-19 pandemic's impact on student enrollment. ASU and UA enrollment increased 6.0% and 1.8%, respectively. This growth is primarily due to increased enrollment in online programs. NAU enrollment decreased (3.5)%.

Financial Aid

The Arizona University System distributed \$3.1 billion in financial aid in FY 2020. Of the \$3.0 billion total financial aid distributions in FY 2020, the federal government financed \$1.2 billion and university institutional sources provided \$1.2 billion. The latter includes \$981.2 million of foregone tuition collections in the form of waivers and awards. (Please see Table 10 for details.)

Enrollment

Between fall 2019 and fall 2020, university enrollment increased from 184,560 FTE to 190,931, or 3.5%, as displayed in Table 11. This compares to a 4% increase in the prior year. The slowed growth is in part due to the

	ASU	NAU	UA	Total
Appropriated				
Operating Budget ^{2/}	\$ 603,575,900	\$138,921,300	\$297,449,900	\$1,039,947,100
Non-Appropriated				
Operating Budget ^{3/}	\$ 881,283,800	\$ 76,370,700	\$235,635,600	\$ 1,193,290,100
Financial Aid ^{4/}	529,989,100	145,508,000	197,719,900	873,217,000
Plant Fund	20,000,000	1,000,000	4,000,000	25,000,000
Debt Service	78,597,700	6,200,000	28,152,400	112,950,100
Subtotal	\$1,509,870,600	\$229,078,700	\$ 465,507,900	\$2,204,457,200
Total Gross Tuition ^{5/}	\$2,113,446,500	\$368,000,000	\$762,957,800	\$3,244,404,300
Net Tuition ^{5/}	\$1,583,457,400	\$222,492,000	\$565,237,900	\$2,371,187,300

^{1/} As reported in FY 2021 Tuition Revenue Report submitted by ABOR in September 2020.
^{2/} Appropriated tuition includes \$(184.0) million adjustment made by ABOR to the amounts originally included as part of the FY 2021 state budget to reflect estimated revenue adjustments resulting from the tuition setting process in spring 2020.
^{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.

	FY 2020	FY 2021	FY 2021
	Revenues	September Estimates	November Estimates
ASU	1,484,637,100	1,583,457,400	1,583,457,400
NAU	258,692,100	222,492,000	225,492,000
UA	693,769,500	565,237,900	671,963,800
Total	2,437,098,700	2,371,187,300	2,480,913,200

Table 9

**Arizona University System
FY 2022 Tuition and Mandatory Fees ^{1/}**

	<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	\$11,348	0.1%	\$12,608	0.0%	\$29,438 ^{2/}	0.1%	\$32,288	0.0%
NAU	\$11,896	0.0%	\$12,250	4.5%	\$26,642	0.5%	\$28,240	4.8%
UA	\$12,671	0.0%	\$13,425	1.3%	\$37,193	1.3%	\$33,609	0.7%

^{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/} ABOR also approved a rate increase for international undergraduate students at ASU, which will be set at \$31,838.

Table 10

**FY 2020 Financial Aid Distribution by Source
(\$ in Thousands) ^{1/}**

	<u>Federal</u>	<u>State ^{2/}</u>	<u>Institutional ^{3/}</u>	<u>Private/Other ^{4/}</u>	<u>Total</u>
Grants	\$364,989.5	6,122.5	\$981,168.0	\$251,505.3	\$1,603,785.3
Loans	859,909.7	176.4	0.0	381,426.7	1,241,512.8
Employment	<u>12,720.0</u>	<u>0.0</u>	<u>218,772.4</u>	<u>0.0</u>	<u>231,492.4</u>
Total	\$1,237,619.2	\$6,298.9	\$1,199,940.4	\$632,932.0	\$3,076,790.5

^{1/} Information from ABOR FY 2020 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 11

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

	Fall 2019	Fall 2020	Fall 2019 to Fall 2020
ASU-Tempe	57,143	55,804	(2.3)%
ASU-DPC	12,509	12,414	(0.8)%
ASU-East	5,335	5,227	(2.0)%
ASU-West	5,199	5,716	9.9%
ASU-Online ^{2/}	30,236	37,796	25.0%
ASU-Other	<u>469</u>	<u>535</u>	<u>14.1%</u>
<i>Subtotal</i>	<i>110,891</i>	<i>117,492</i>	<i>6.0%</i>
NAU-Flagstaff	22,727	21,610	(4.9)%
NAU-Online ^{2/}	2,944	3,213	9.1%
NAU-Other	<u>3,339</u>	<u>3,162</u>	<u>(5.3)%</u>
<i>Subtotal</i>	<i>29,010</i>	<i>27,985</i>	<i>(3.5)%</i>
UA-Tucson ^{3/}	40,106	39,264	(2.1)%
UA-PHX Biomedical ^{3/}	819	861	5.1%
UA-Online ^{2/}	2,895	4,176	44.2%
UA-Other	<u>839</u>	<u>1,153</u>	<u>37.4%</u>
<i>Subtotal</i>	<i>44,659</i>	<i>45,454</i>	<i>1.8%</i>
Total	184,560	190,931	3.5%

^{1/} Adjusted FTE counts as reported by ABOR and the universities include both graduate and undergraduate students and exclude excess credit hours taken by students.

^{2/} Online enrollment represents students enrolled in online-only programs.

^{3/} The UA-Tucson and UA-PHX Biomedical sites include enrollment in UA Health Sciences Center (HSC) programs. In Fall 2020, a total of 6,186 HSC students were enrolled compared to 5,837 students in Fall 2019, or an increase of 6.0%.