

Arizona Board of Regents

FY 10 in Review



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Board Composition

The Board is composed of 12 Regents. Eight volunteer members are appointed by the Governor to staggered eight-year terms. Two students serve on the Board for two-year appointments, with the first year as a non-voting apprentice year. The Governor and Superintendent of Public Instruction serve as ex-officio members.

2020 Vision

As stewards of the university system, the Board has developed an innovative and aggressive strategic plan for Arizona's educational and economic future, to produce enough high-quality university degrees for the state to be nationally competitive by the year 2020. The strategic plan, known as 2020 Vision, calls for reform in both the instructional delivery model and the financing of the system. Its goals support and stimulate a growing, vibrant economy and a high quality of life for Arizonans through a top-performing university system that is nationally recognized for excellence in academic and research pursuits.

FY 2010 Board of Regents Membership

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Dennis DeConcini | Tucson

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Mark Killian | Mesa

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Jennifer Ginther | Student, NAU

Ross Myer | Student, UA

Governor Jan Brewer

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Joel Sideman | Executive Director

Mission

The Arizona Board of Regents is committed to ensuring access for qualified residents of Arizona to undergraduate and graduate institutions; promoting the discovery, application, and dissemination of new knowledge; extending the benefits of university activities to Arizona's citizens outside the university; and maximizing the benefits derived from the state's investment in education.

Progress Toward 2020 Vision

Approved by the Board in March 2009, the *2020 Vision* maps out a coordinated plan to increase bachelor degree production, improve the state's economic strength and quality of life for Arizonans, stimulate demand for higher paying jobs, and make Arizona nationally competitive in degree production by the year 2020. The plan outlines measurable goals and objectives and incorporates a range of targets to accommodate changing economic conditions.

Despite unprecedented budget cuts in FY 09 and 10, Arizona's universities made significant progress toward the goals in ABOR's strategic plan – *2020 Vision* – which calls for an increase in baccalaureate degree production by 50 percent over the next 10 years in order to meet anticipated workforce needs.

In June, ABOR released data showing that the number of students graduating with a bachelor's degree from one of Arizona's three public universities had increased by approximately nine percent over the last two years – from 18,654 in 2007 to 20,294 in 2009. This jump in degree production indicates that the university system is trending ahead of 2020 Vision targets.

In addition to an increase in bachelor degree production, the university system is tracking ahead on several other performance measures including: freshman retention rates, up 1.5 percent; six-year graduation rates, up 2.4 percent; undergraduate enrollment, up 7.2 percent; and total enrollment, up six percent.

Bachelor's Degrees Produced

	2007	2008	2009	2007-09 Change	% Change
University System	18,654	19,281	20,294	1,640	8.8%
Arizona State University	10,137	10,706	11,229	1,092	10.2%
Northern Arizona University	2,953	2,963	3,151	198	6.7%
University of Arizona	5,564	5,612	5,914	350	6.2%

Reshaping the System to Achieve 2020 Vision

As part of the *2020 Vision*, over the course of FY 10, the Board of Regents and the three universities developed a tactical roadmap to speed the development of capacity for more degrees. The plan is a collaborative model that seeks to differentiate the system in a way that provides various low-cost options for students to earn a bachelor's degree from a public university in Arizona.

The core strategies are aggressively expanding transfer relations with all community colleges, developing shorter time-to-degree options for students throughout the state, and continuing to expand distance education offerings at a lower cost. The plan also calls for the creation of regional universities in partnership with community colleges, with specific, high-demand degree program offerings. Finally, the universities will be expanding their slate of online degrees—which will allow more students to take classes, at home, and on their own schedule, while they may also be holding down a job, or raising their family.

Developing new programs and reshaping the instructional system during times of fiscal uncertainty can be a challenge, which is why the universities are leveraging available resources toward partnerships and programs that can help us get there. Extending the benefits of a university education to the communities across Arizona – big and small – is an investment in the future of Arizona.

"Our state universities must operate efficiently by continuing to develop affordable, predictable and sustainable models of higher education for Arizona families. University partnerships with community colleges and innovative programs that offer more cost-effective bachelor's degrees are critical to putting more students through the post-secondary pipeline and developing the diverse and highly-educated workforce Arizona needs."

~ Governor Jan Brewer

Expansion of Programs Allows for Greater Access and Affordability

The university system has made tremendous strides in our efforts to provide more low-cost options for students pursuing a bachelor's degree in Arizona.

- The Board continues to promote university partnerships with community colleges that provide more affordable and accessible pathways to bachelor's degrees, including 2+2 and 3+1 programs, where students spend their initial years at the community college and complete the remaining one or two years at a university. These programs provide seamless pathways from the community college to the university and reduce the overall cost of obtaining a bachelor's degree.
- Partnership campuses such as NAU-Yavapai and UA South are also reforming educational opportunities for Arizonans. NAU-Yavapai, a new and innovative partnership between NAU, Yavapai College and the Town of Prescott Valley, enables students to earn a bachelor's degree in three years or less with tuition at about 35 percent less than traditional university programs. UA South provides high-quality, accessible educational opportunities throughout southeastern Arizona.
- ASU is developing the "Colleges@ASU," instruction-intensive colleges that provide a three-year path to a bachelor's degree at a lower cost than at ASU's four university campuses. The Colleges@ASU will offer a limited number of high-demand ASU undergraduate programs to students living in various communities across the state. They will be free-standing colleges and will potentially be operated in conjunction with local community colleges.

2+2 programs:
78 currently exist

3+1 programs:
8 programs transfer
90 credits from a
community college

12 programs
transfer 75-89 credits
to a university

Enrollment Continues to Grow at all Three Universities

In spite of the state's economic crisis, all three of Arizona's public universities have realized significant increases in enrollment. Last year, we anticipated Arizona State University's enrollment to exceed 69,000 - representing nearly a 25 percent increase in just seven years, up from 55,491 in 2002. Northern Arizona University predicted an enrollment of about 23,000 students - about 500 more than last year; and, at the University of Arizona, 38,800 students were expected to start classes, including 7,000 freshmen.

Between fall 2008 and fall 2009, headcount enrollment in the Arizona University System rose 2.1 percent.

- ASU reported 1.5 percent increase
- NAU reported a 4.5 percent increase
- UA reported a 1.9 percent increase

Full-time equivalent (FTE) enrollment rose even more rapidly, rising 5.3 percent for undergraduate and 3 percent for graduate students in fall 2009 compared to fall 2008.

- At ASU, FTE enrollment grew 4.7 percent
- NAU reported 7.4 percent growth
- UA reported 3.6 percent growth

In 2009, UA's largest and most diverse freshman class comprised their most academically gifted class. The Honors College enrolled more than 1,250 honors students, a record number of whom are minority honors students.

NAU welcomed more than 3,600 new freshman, making this the largest freshman class in NAU's history; and it broke its Flagstaff campus enrollment record.

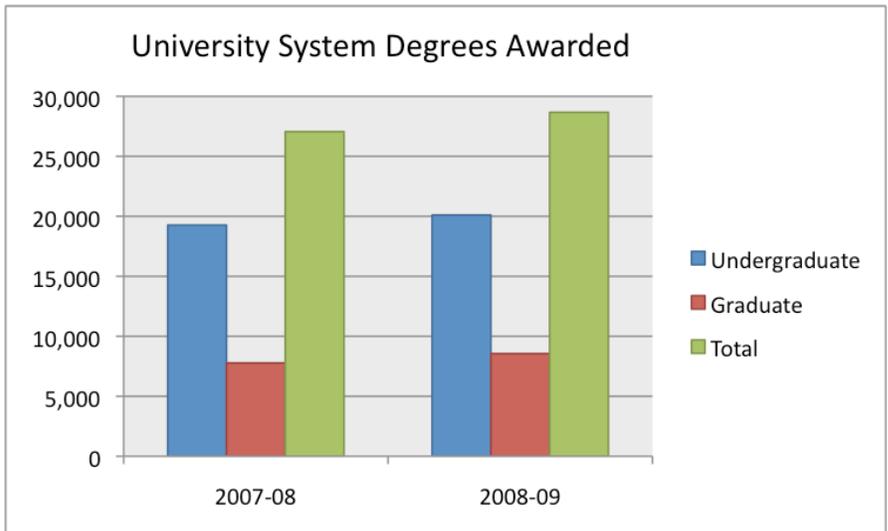
ASU enrolled 168 freshman National Merit Scholars this year. The number of freshman National Merit, National Hispanic and National Achievement scholars totaled 278, up 25 percent in the past five years.

Degrees Awarded on Target to Meet 2020 Vision Goals

The Arizona Board of Regents *2020 Vision* is a framework for the Arizona University System to improve the economic strength of our state and quality of life for Arizonans. One of the key indicators of success is increasing the number of citizens in Arizona with a baccalaureate degree.

The *2020 Vision* silver performance target is to annually award 28,200 bachelor's degrees by the year 2020. To meet this goal, the universities will need to maintain an annual increase in degrees awarded of 3.23 percent. After one year, all three universities are tracking ahead of targets. In

2008-09, 20,106 bachelor's degrees and 8,562 graduate degrees were awarded throughout the university system. Comparatively, in 2007-08, bachelor's degrees totaled 19,271 and graduate degrees amounted to 7,782. The university system realized a 4.3 percent increase in undergraduate degrees awarded, and a 10 percent increase in graduate degrees awarded. In addition, the universities realized an increase of 6.2 percent in the number of community college transfer students and 4.2 percent in undergraduate student enrollment.



The Arizona University System raised the attainment of bachelor's degrees by minority students more than 20 percent since 2004-05 and each university has been recognized among the top in the nation for awarding degrees to minority students.

Financial Aid for Arizona Students on the Rise

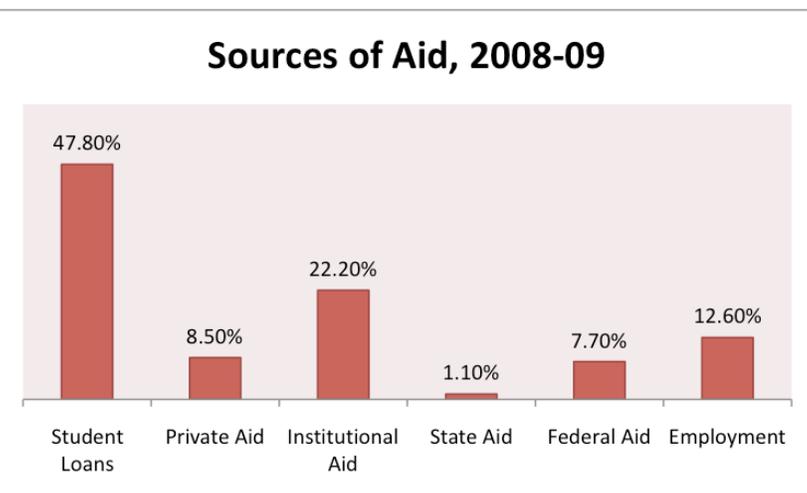
Providing ample financial aid to public university students is crucial to ensuring that the universities remain affordable and accessible. Affordability is essential in meeting a key component of the *2020 Vision*, increasing the educational attainment rate of Arizonans by 50 percent. In order to provide greater access and affordability through financial aid, the Regents increased the university set-aside to 17 percent for need-based aid.

79% of students received some form of financial aid.

Even though tuition at Arizona's universities remains among the lowest in the country compared to similar public universities, many students still require financial assistance to attend college. During the 2008-09 school year, all three state universities had increases in all categories of student financial aid, including grants, government-financed loans, private loans, institutional aid and student employment, with total financial aid increasing by more than 19 percent.

In 2009, our institutions took steps to boost student awards. Approximately 79 percent of the university system's students received some form of financial aid.

- More than \$603 million in student loans was awarded to university students, accounting for more than 47 percent of financial aid awards.
- 22 percent of assistance came from institutional scholarships and awards, amounting to \$280.2 million.
- State aid accounted for only one percent, or \$14.2 million



With state contributions to financial aid so minimal, the burden of financial aid falls on students and the universities, but Arizona's university system is dedicated to assisting students in need, estimating a 12 percent increase in institutional aid over the next two years.

Capital Projects Addressed Immediate Needs

New construction and expansion of facilities in FY 10 added 404,000 net new square feet. The modest growth in new space reflects the limited resources available for capital development and the focus by each university on addressing immediate needs related to building and infrastructure deferred maintenance. The university building system in FY 10 consisted of 37.6 million square feet in 1,737 academic, support and auxiliary facilities. The replacement value for these facilities, as of June 30, 2010, was estimated to be \$9.7 billion.

SPEED Capital Initiative

Of the \$800 million in authorized SPEED debt financing, \$167.7 million in deferred maintenance projects and \$127.9 million for the Health Science and Education Building on the Phoenix Biomedical Campus have received all necessary reviews and approvals and are under construction. The financing will be repaid 80 percent from state lottery revenues and 20 percent from university funds. In an effort to effectively and efficiently allocate limited system resources, ABOR implemented a self imposed moratorium through August 2011 on advancing additional SPEED projects. Remaining projects and financing will occur over multiple years depending on availability of lottery revenues and budget conditions.

Arizona State University

ASU capital activity focused on smaller renovation projects, initiation of SPEED deferred maintenance projects, and development of capital plans that include possible third party partnerships for student housing projects.

Northern Arizona University

NAU continued with campus infrastructure upgrades as well as SPEED deferred maintenance projects. NAU is also pursuing third party partnerships for development of student housing.

University of Arizona

UA completed the Student Recreation Center Expansion, updated its Campus Master Plan and initiated SPEED deferred maintenance projects. UA, in partnership with NAU, began work on the Health Science and Education Building on the Phoenix Biomedical Campus.

Building Renewal

The University System follows a legislative formula to calculate its needs for restoring

and maintaining campus facilities. Based on the FY 10 Building Inventory, the Building Renewal formula requirement totals \$90.1 million. Between FY 01 and FY 10, five percent of the formula-generated amounts have been appropriated, leaving a backlog of \$580 million in deferred maintenance. A portion of the \$800 million financing authorized by SPEED will be used to address building renewal and deferred maintenance needs.

The following table provides the building inventory as of June 2010 and the annual building renewal formula requirements by campus:

ARIZONA UNIVERSITY SYSTEM BUILDING INVENTORY				
	ASU	NAU	UA	Total
Number of Facilities	976	108	653	1,737
Gross Square Feet	17.2 million	5.7 million	14.6 million	37.5 million
Est. Replacement Value	\$3.9 billion	\$1.3 billion	\$4.4 billion	\$9.6 billion
Building Renewal	\$30.6 million	\$11.9 million	\$47.6 million	\$90.1 million

The Capital Committee continues to improve oversight of the university capital development process. As a result of capital construction audit findings, a tri-university work group has been formed to develop and implement standardized processes and procedures related to construction contract and project administration. Limited state resources and continued enrollment growth continue to require the use of innovative approaches to finance needed facilities and develop revenue-generating opportunities, including partnering with third-party entities for the financing, construction and operation of facilities at all university campuses.

Academic Programs

In FY 10, the Arizona University System offered 389 bachelor's degree programs, 311 master's degree programs, 180 doctoral degree programs, 86 undergraduate certificate programs, and 83 graduate certificate programs.

The following is a breakdown of academic programs offered by university/campus:

Arizona State University at the Tempe Campus offered 99 bachelor's degree programs, 104 master's degree programs, 68 doctoral degree programs, 34 undergraduate certificate programs and 22 graduate certificate programs. Programs are offered through: W.P. Carey School of Business; Herberger Institute for Design and The Arts; Mary Lou Fulton Institute and Graduate School of Education; Ira A. Fulton Schools of Engineering; Sandra Day O'Connor College of Law; College of Liberal Arts and Sciences; School of Sustainability; Graduate School; School of Letters and Sciences; College of Teacher Education and Leadership; University College; and, Barrett, The Honors College.

Arizona State University at the West Campus offered 37 bachelor's degree programs, 11 master's degree programs, one doctoral degree program, and four undergraduate certificate programs. Programs are offered through: College of Teacher Education and Leadership; New College of Interdisciplinary Arts and Sciences; W.P. Carey School of Business; School of Sustainability; Graduate School; University College; and, Barrett, The Honors College.

Arizona State University at the Polytechnic Campus offered 30 bachelor's degree programs, 12 master's degree programs, one doctoral degree program, and seven undergraduate certificate programs. Programs are offered through: College of Technology and Innovation; College of Nursing & Health Innovation; College of Teacher Education and Leadership; W.P. Carey School of Business; School of Letters and Sciences; Graduate College; University College; and, Barrett, The Honors College.

Arizona State University at the Downtown Phoenix Campus offered 23 bachelor's degree programs, 16 master's degree programs, nine doctoral degree programs, 10 undergraduate certificate programs, and 13 graduate certificate programs. Programs are offered through: College of Nursing & Health innovation; College of Public

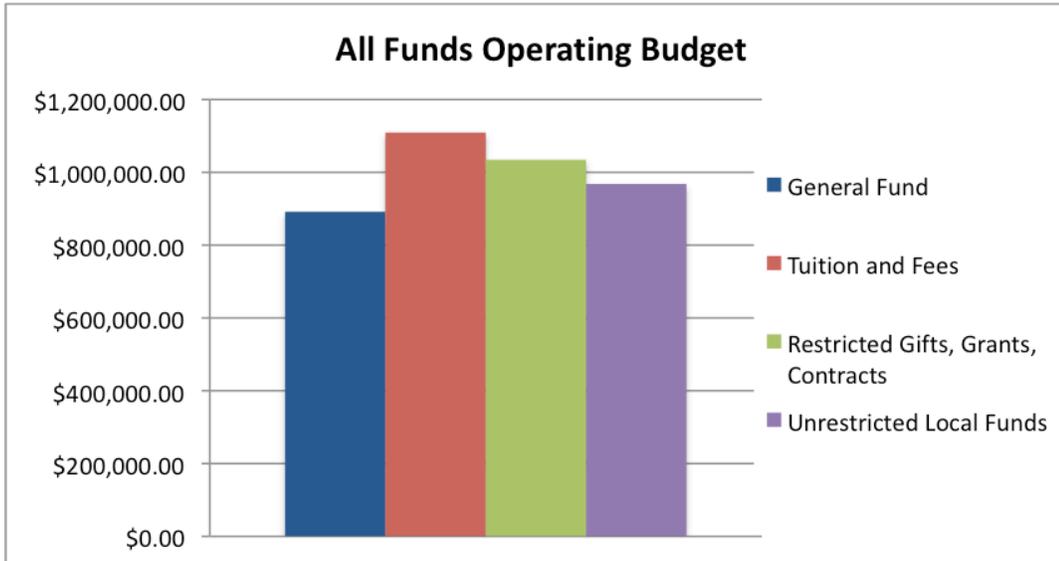
Programs; Walter Cronkite School of Journalism and Mass Communication; School of Letters and Sciences; College of Teacher Education and Leadership; Graduate College; University College; and, Barrett, The Honors College.

Northern Arizona University offered 92 bachelor's degree programs, 46 master's degree programs, nine doctoral degree programs, 31 baccalaureate certificate programs, and 20 master's certificate programs. Programs were offered through the University's nine colleges and divisions including the College of Arts and Letters, W.A. Franke College of Business, College of Education, College of Engineering, Forestry and Natural Sciences, College of Health and Human Services, College of Social and Behavioral Sciences, Graduate College, Undergraduate Studies, and NAU-YUMA.

University of Arizona offered 108 Bachelor's degree programs, 122 Master's degree programs, 92 Doctoral degree programs, 4 education specialist programs, and 28 graduate certificates in 19 colleges and 18 schools. The colleges include the College of Agriculture and Life Sciences, College of Architecture and Landscape Architecture, College of Education, Eller College of Management, College of Engineering, College of Fine Arts, College of Humanities, College of Medicine, College of Nursing, College of Optical Sciences, College of Pharmacy, Rogers College of Law, College of Science, College of Social and Behavioral Sciences, Zuckerman College of Public Health, Graduate College, Honors College, Outreach College and University of Arizona South. Schools include Anthropology; Architecture; Art; Dance; Earth and Environmental Sciences; Family and Consumer Sciences; Geography and Development; Information Resources and Library Science; Information Sciences; Technology and Arts; Journalism; Landscape Architecture; Media Arts; Mind, Brain and Behavior; Music; Natural Resources and the Environment; Public Administration and Policy; Sustainable Engineered Systems; and Theatre Arts.

2010 All Funds Operating Budget

The All Funds Operating Budget combines operating budget funds and local fund budgets (unrestricted and restricted funds), which includes projected revenues, expenditures, and year end balances for the fiscal year for each university and the system office.



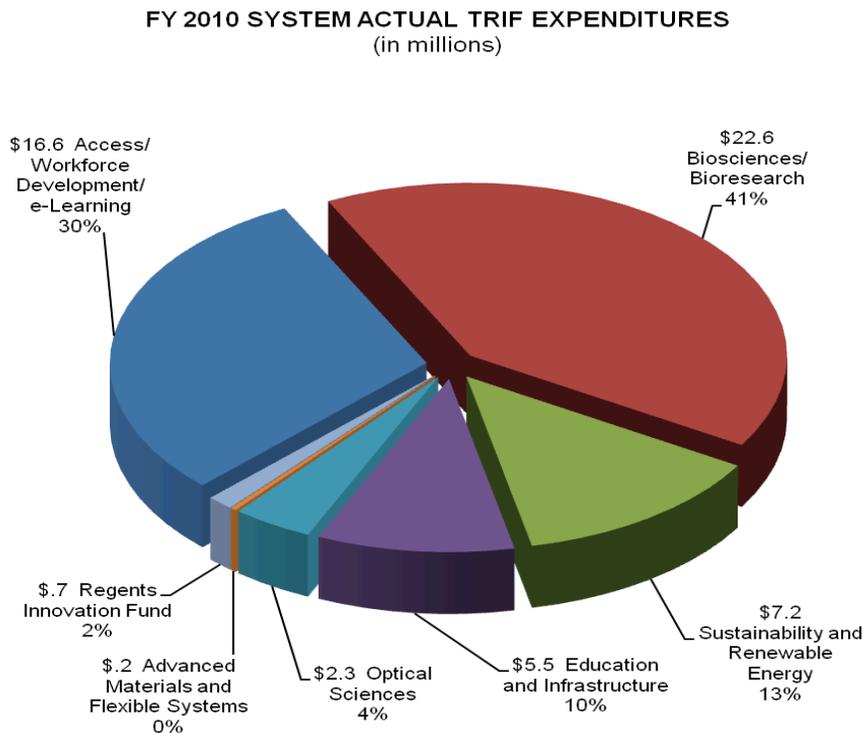
- \$891,652.8 million (22 percent) in General Fund appropriations
- \$968,221.8 million (24 percent) in unrestricted local funds
- \$1,034,493.5 million (26 percent) in restricted gifts, grants, and contracts
- \$1,109,157.8 billion (28 percent) tuition and fee revenues, of which \$61.9 million is attributed to the tuition surcharge approved by the Board in April 2009.

Technology and Research Initiative Fund

The Arizona Board of Regents receives a share of the six-tenths of one cent increase in state sales tax approved by Arizona voters in November 2000 and known as Proposition 301. These funds are deposited into the Board's Technology and Research Initiative Fund (TRIF) and are used, pursuant to statute, to:

- Promote university research, development, and technology transfer related to the knowledge-based global economy
- Expand access to baccalaureate or post-baccalaureate education for time-bound and place-bound students
- Develop programs that will prepare students to contribute in high technology industries located in Arizona

The Arizona Board of Regents received \$52.6 million in TRIF funds in FY 10. Funds are allocated to the universities consistent with Board-approved TRIF budgets. Approximately 65 percent of FY 10 TRIF funds were invested in research, development, and technology transfer, while 35 percent was invested in expanding access to university education, including e-learning and workforce development. FY 10 TRIF funds were invested as follows:



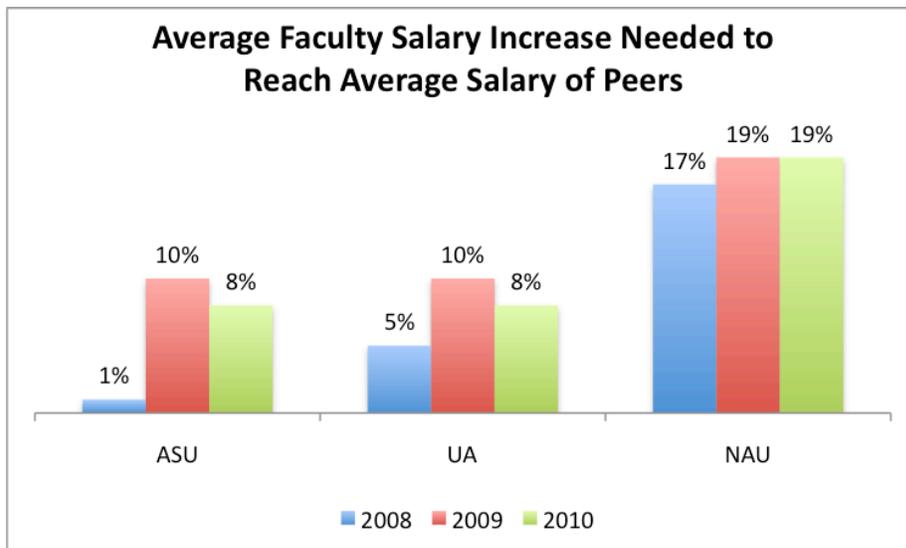
2010 Annual Personnel Report Overview

Arizona's public universities compete on a national and global scale to attract and retain talented faculty and staff. In fact, salary competitiveness is noted by these employees as the single most important factor in determining whether or not they accept a position or even remain employed in the university system.

Competitive salaries are necessary to recruit and retain the talented faculty and staff required to achieve educational and research excellence goals set forth in the Board's *2020 Vision*. Attracting and retaining high quality employees continues to be a critical issue for all three universities as salaries have been stagnated for three years without market adjustments.

Each university has continued to lose ground in all ranks of faculty salaries when compared to their peers.

- ASU's faculty salary percentile ranking decreased from 20th in fall 2007 to sixth in Fall 2009
- UA's percentile ranking fell from 11th to sixth
- NAU's percentile ranking remains at the bottom of their peers
- Overall, faculty salaries range from \$7,300 to \$13,300 (8 - 19 percent) below the peer median



Faculty and staff turnover has continued to be a significant issue for the universities. The effect of faculty turnover has resulted in a loss of talent and dollars, and staff turnover has created losses in critical positions that affect the overall operation and success of the universities.

The average faculty turnover rate in 2010 was: 10.9 percent at ASU, 7.9 percent at UA, and 10.5 percent at NAU. For classified staff, ASU has had a 14.8 percent turnover rate, UA has experienced 16.0 percent, NAU experienced 17.2 percent and the System Office had 17.0 percent turnover.

Turnover is extremely costly and disruptive. With each loss, the institution is faced with advertising, interviewing and training costs. In addition, there are multiple indirect costs that are difficult to quantify, such as decreased productivity, loss of quality and lost work hours. On average, cost is estimated at one to two times the salary of a departing employee.

The table below represents the total number of benefit eligible employees at ASU, NAU, UA and the System Office for FY 10. This information was gathered in fall 2009.

	Exec/ Admin	Faculty	Professional	Classified	Total
ASU	157.0	2,729.0	2,655.0	3,176.0	8,717.0
NAU	34.0	863.0	601.0	1,111.0	2,609.0
UA	137.0	2,393.0	2,080.0	4,978.0	9,588.0
ABOR	6.0	0.0	16.0	7.0	29.0
Total	334.0	5,985.0	5,352.0	9,272.0	20,943.0