

## University of Arizona

### FY 2017 Annual Operating Budget

#### Budget Overview:

The University of Arizona is pleased to submit its FY 2017 operating budget for approval by the Arizona Board of Regents. This budget was developed with input from student leaders, University shared governance representatives and University administration and it reflects budget initiatives that are consistent with and support the University's strategic plan, Never Settle. Contained within the budget are the following assumptions (amounts below describe the change from FY 2016 Original budget to FY 2017 Original Budget):

- Fall 2016 Enrollments are projected to increase by approximately 1,300 FTE; of these, roughly 800 are traditional enrollments and 500 are enrollments in fully online programs.
- Total net revenues are expected to increase by \$120.2 million, significant changes can be attributed to:
  - \$98 million increase in grants and contracts.
  - \$67.4 million increase in net tuition and fee revenues from enrollment growth and tuition rate increase (an increase of 3.2% and 7.2% for undergraduate resident and non-resident students entering the tuition guarantee program in fall 2016).
  - \$15.8 million increase in state general fund appropriations; of which \$2.3 million is additional base funds, \$2 million is special line item appropriation for the Center for the Philosophy of Freedom, \$8 million one-time capital funds for the Veterinary Medicine Program, \$4.4 million for the Research Infrastructure Capital Lease Payment, and (\$0.9 million) decrease for employer paid benefits costs.
  - (\$67.3 million) decrease in Other Revenues due primarily to the reclassification of the reporting of Banner revenues from Other Revenues to Grants & Contracts.
- Expenditures reflect investments in major budget initiatives which were prioritized by student leaders, shared governance committees and University administration. These include:
  - Address faculty and staff salaries through multi-year, performance-based salary programs.
  - Increase funding raising and development activities through investment in development officers and support staff.
  - Grow faculty and staff to meet the needs of increasing enrollments.
  - Address critical funding needs of facility operations, infrastructure and technology.
- The FY2017 budget is a balanced budget which is expected to add to net assets while maintaining a fairly consistent level of operating cash.

- The amount of investment in institutional financial aid is projected to remain fairly flat for FY 2017. The budget includes a \$2.0 million increase to Regent's Set-aside for need based aid and \$1.2 million for other institutional aid. The percentage of institutional tuition discount is expected to be consistent with institutional aid planning as previously communicated in the Operational Financial Review.
- FY 2017 is the third year of the guaranteed tuition program; therefore, nearly 80% of continuing undergraduates will not experience an increase in their tuition and mandatory fees for fall 2016.

Allocation of Incremental General Purpose Funds/Strategic Investments:

- Faculty, Staff and Graduate Assistant Salary Adjustments, \$9.5 million – the University is focused on providing consistent annual salary adjustments based upon performance in order to reward employees and improve its competitiveness in retaining this highly valued resource. (The most recent faculty salary data show UA at 86% of its AAU Public peer median and ranked 15<sup>th</sup> lowest of its 15 ABOR peers.)
- Benefits Costs, \$2.5 million – increase is associated with salary adjustments and the State adjustment to the allocation made for employer paid health insurance premiums.
- Guarantee Program Prepaid Tuition, \$4.5 million – this provides funds for use in future years to cover increased costs associated with students in the tuition guarantee program.
- Facilities, IT Infrastructure/IT Security, \$7.1 million – funding to be used for operations and maintenance cost of facilities and for information technology infrastructure and security costs. Given the lack of investment from the State and State budget reductions of recent years, investment in facilities and IT has been delayed. The current estimated facilities deferred maintenance is over \$300 million.
- Development Support, \$4.7 million – funding will provide for growth in the number of development officers and support staff. Returns on investments made in development/fund raising activities can be significant and help relieve pressures on overburdened traditional revenue sources such as student tuition and state appropriations.
- Research Support, \$1.3 million – investments will be made in support functions which will help streamline and improve grant and contract proposal processing.
- Enrollment Growth Related Expenditures, \$14.8 million – funds are allocated to colleges through the Responsibility Center Management Model based upon activity and will be used for new faculty hires, and investment in instructional and academic support in order to meet the needs of increased enrollments.

- Retention & Recruitment of Faculty and Staff, \$6.2 million – funding is needed in order to provide equity/market adjustments to retain key faculty and staff and also to recruit new hires (provide competitive salaries and start up funding) for key faculty/staff vacancies. Examples of key recruitments currently taking place: Chief Diversity Officer; Chief Information Officer; and Deans of the colleges of Humanities, Architecture & Landscape Architecture, and Honors College.
- Investment in Online Programs, \$2.4 million – investment will enable the continued development and expansion of academic degree programs for online delivery.
- Student Recruitment, Retention and Engagement, \$2.4 million – these funds will enable expansion of programs to address student recruitment and retention needs which are the result of increased overall enrollments, as well as increase in the number of students who require additional academic preparation. In addition, this funding will be used to expand services required to support the 100% Engagement initiative.
- Programs Supported by Program Fees, \$3.2 million – this funding is the result of increased program enrollments and/or recently approved new or increased programs fees. These funds are retained by the respective programs to cover extraordinary expenses not normally associated with the delivery of a program.
- College of Medicine MD Programs, \$0.4 million – this item will be funded from increased revenues resulting from the increase in MD student base tuition. It will be retained by the Colleges of Medicine to offset increased operating costs of MD programs.
- Freedom Center, \$2.0 million – this funding is being provided by State special line item appropriation and will be used for the direct costs of operation of the Center for the Philosophy of Freedom. This investment brings the total current State appropriation special line item funding for the Center to \$2.5 million.
- One-Time Capital Investment, \$8.0 million – funding will be invested in facilities renovations and capital equipment needed for the implementation of the new Veterinary Medicine program.
- Research Infrastructure Debt Service, \$4.4 million – this investment increases the State Appropriation for the Research Infrastructure Lease-Purchase Payment to a total of \$14.0 million which is the amount of the FY 2017 annual debt service payment required to be paid by the University.
- Financial Aid, \$3.2 million – set-aside for Regent’s Set-aside for Need-based aid is increasing by \$2.0 million and other institutional aid is increasing by \$1.2 million.

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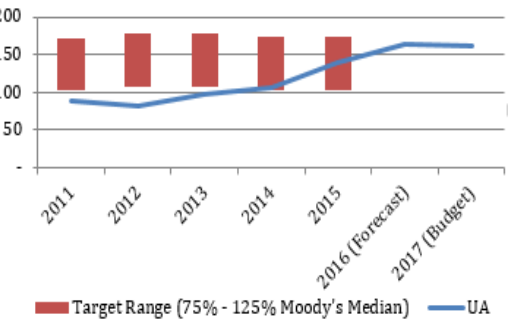
# ANNUAL BUDGET

## FY 2017 ANNUAL BUDGET (\$ millions)

	FY17 BUDGET	FY16 BUDGET	\$ VARIANCE BETWEEN FY16 AND FY17 BUDGET	% VARIANCE BETWEEN FY16 AND FY17 BUDGET
<b>Revenues</b>				
State General Fund Appropriation	\$ 253.1	\$ 241.3	\$ 11.8	4.7%
State Appropriation - Research Infrastructure	14.0	9.6	4.4	45.8%
Tuition and Fees	853.5	785.0	68.5	8.7%
<i>less Scholarship Allowance</i>	(212.2)	(211.1)	(1.1)	0.5%
Net Tuition and Fees	641.3	573.9	67.4	11.7%
Grants & Contracts -- Research	\$ 638.9	\$ 540.9	\$ 98.0	18.1%
Financial Aid Grants (Primarily Federal Pell Grants)	52.5	58.8	\$ (6.3)	-10.7%
Private Gifts	82.3	91.0	\$ (8.7)	-9.6%
Technology & Research Initiative Fund (TRIF)	27.3	22.7	\$ 4.6	20.3%
Auxiliary Revenues, Net	215.0	198.4	\$ 16.6	8.4%
Other Revenues	147.8	215.1	\$ (67.3)	-31.3%
<b>Total Revenues</b>	<b>\$ 2,072.2</b>	<b>\$ 1,951.7</b>	<b>\$ 120.5</b>	<b>6.2%</b>
<b>Expenses</b>				
Salaries and Wages	\$ 911.6	\$ 871.6	\$ 40.0	4.6%
Benefits	309.1	296.4	12.7	4.3%
All Other Operating	496.3	481.8	14.5	2.9%
Scholarships & Fellowships, Net of Scholarship Allowance	67.6	59.5	8.1	13.6%
Depreciation	121.8	125.5	(3.7)	-2.9%
Interest on Indebtedness	56.8	48.8	8.0	16.4%
<b>Total Expenditures</b>	<b>\$ 1,963.2</b>	<b>\$ 1,883.6</b>	<b>\$ 79.6</b>	<b>4.2%</b>
<b>Net Increase</b>	<b>\$ 109.0</b>	<b>\$ 68.1</b>	<b>\$ 40.9</b>	<b>60.0%</b>

**MONTHLY DAYS CASH ON HAND**  
 Monthly days cash on hand is projected to be 162 days at June 30, 2017.

### Monthly Days Cash on Hand



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# ANNUAL BUDGET

## INCREMENTAL ALLOCATION OF GENERAL PURPOSE<sup>1</sup> FUNDS (\$ millions)

**FY16 Base Budget**

**\$ 1,051.2**

**Changes in Incremental Funding**

State General Fund Appropriations	16.2
Other Revenues	(0.8)
Revenues from Tuition and Fees FY17	61.6

**Net Change in Resources**

**77.0**

**Allocation of Incremental Resources**

Employee & Staff Salary Adjustments	9.5
Benefits Cost Increases	2.5
Guarantee Program Prepaid Tuition	4.5
Facilities & IT Infrastructure/Security	7.1
Development Support Initiatives	4.7
Research Support Initiatives	1.3
Enrollment Growth Related Expenditures	14.8
Retention & Recruitment of Faculty and Staff	6.2
Investment in Online Programs	2.4
Student Recruitment, Retention, and Engagement	2.4
Programs supported by program fees	3.2
College of Medicine MD programs	0.4
Freedom Center	2.0
Arizona Geological Survey—Mining & Mineral Museum	0.4
One-Time Capital Investment -- Veterinary Medicine Program	8.0
Research Infrastructure Debt Service	4.4
Financial Aid	3.2

**Net Change in College and Administrative Budget Allocations**

**\$ 77.0**

**FY17 Base Budget**

**\$ 1,128.2**

	Strategic Metric Addressed			
	Student Educational Success & Learning	Educational	Discover New Knowledge	Impact Arizona
9.5	x	x	x	x
2.5	x	x	x	x
4.5	x	x		
7.1	x	x	x	x
4.7	x	x	x	x
1.3			x	
14.8	x	x		x
6.2	x	x	x	x
2.4	x	x		
2.4	x	x		x
3.2	x	x		x
0.4		x		
2.0		x		
0.4				x
8.0		x		
4.4	x	x	x	x
3.2	x	x		x

*Additional schedule provided to Board staff with specific metrics listed individually.*

<sup>1</sup> General Purpose Funds include state general funds, tuition and fees, investment income, administrative service charge, and facilities and administration revenue (indirect cost recovery).

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# ANNUAL BUDGET

## STATE EXPENDITURE AUTHORITY BY APPROPRIATION CAMPUS (\$ thousands)

	FY17 BUDGET			FY16 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
<b>University Revenues</b>					
Resident Tuition	\$ 270,857.8	\$ 7,761.0	\$ 278,618.8	\$ 267,395.8	\$ 11,223.0
Non Resident Tuition	400,722.1	3,236.5	403,958.6	380,333.0	23,625.6
Online Tuition Revenue	8,900.0	-	8,900.0	-	8,900.0
Program Fees <sup>1</sup>	39,194.6	14,800.3	53,994.9	36,124.4	17,870.5
Miscellaneous Revenues <sup>2</sup>	(18,527.8)	25,876.2	7,348.4	7,348.4	-
<b>Total University Revenues</b>	<b>\$ 701,146.7</b>	<b>\$ 51,674.0</b>	<b>\$ 752,820.7</b>	<b>\$ 691,201.6</b>	<b>\$ 61,619.1</b>
<b>University Revenues Retained for Local Uses</b>					
Support for Local Operating Budgets	\$ 42,914.6	\$ -	\$ 42,914.6	\$ 35,135.1	\$ 7,779.5
Program Fees/Differential Tuition	32,452.8	-	32,452.8	29,257.7	3,195.1
Regents Financial Aid Set Aside	45,905.8	2,091.4	47,997.2	46,007.0	1,990.2
Other Financial Aid	141,803.5	2,091.2	143,894.7	142,669.5	1,225.2
Plant Funds	4,776.5	-	4,776.5	4,776.5	-
Debt Service/COPS/Lease Purchase	28,152.4	-	28,152.4	28,152.4	-
<b>Total Retained for Local Uses</b>	<b>\$ 296,005.6</b>	<b>\$ 4,182.6</b>	<b>\$ 300,188.2</b>	<b>\$ 285,998.2</b>	<b>\$ 14,190.0</b>
<b>University Revenues Remitted to State (State Collections)</b>	<b>\$ 405,141.1</b>	<b>\$ 47,491.4</b>	<b>\$ 452,632.5</b>	<b>\$ 405,203.4</b>	<b>\$ 47,429.1</b>
<b>Plus: State General Fund Appropriation</b>	<b>198,486.4</b>	<b>68,629.2</b>	<b>267,115.6</b>	<b>250,850.5</b>	<b>16,265.1</b>
<b>Total State Expenditure Authority</b>	<b>\$ 603,627.5</b>	<b>\$ 116,120.6</b>	<b>\$ 719,748.1</b>	<b>\$ 656,053.9</b>	<b>\$ 63,694.2</b>

<sup>1</sup> FY17 Reflects a \$2,169.5 in NR Grad and \$12,630.8 in RES Grad shift from Base Tuition to Program Fees for change to reflect ABOR approval of the College of Medicine MD tuition as base graduate tuition + program fee.

<sup>2</sup> Miscellaneous Revenues include Federal Agriculture Payments, Summer Session Reimbursement, Land Grant, and other Miscellaneous Revenues. It also includes a tuition transfer from Main Campus to support units within the AHS Campus.

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# ANNUAL BUDGET

## LOCAL COLLECTIONS

	FY17 BUDGET			FY16 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
<b>LOCAL COLLECTIONS FROM TUITION AND FEES</b>					
<b>OPERATING FUNDS</b>					
<i>DESIGNATED</i>					
Academic Initiatives & Student Success	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ 150,000
Admissions Recruiting	3,058,505	-	3,058,505	1,275,500	1,783,005
ASUA	243,235	-	243,235	244,800	(1,565)
ASUA-Cart Service	12,300	-	12,300	12,300	-
AZ Assurance Program	20,000	-	20,000	20,000	-
AZ Outreach College	12,992,800	-	12,992,800	12,992,800	-
Dean of Students	652,871	-	652,871	-	652,871
Early Alert Programs	5,000	-	5,000	5,000	-
Early Outreach	325,246	-	325,246	37,100	288,146
Enrollment Management	975,175	-	975,175	510,000	465,175
FM Student Recreation O&M	259,300	-	259,300	259,300	-
Graduate & Professional Student Council	239,000	-	239,000	260,000	(21,000)
Graduate College	346,682	-	346,682	346,700	(18)
Graduate Scholarships	719,400	-	719,400	719,400	-
GTA Tuition Remission	-	-	-	12,208,500	(12,208,500)
Interpreting/Disabilities	164,226	-	164,226	164,200	26
Learning Disabilities Mandated Services	131,804	-	131,804	131,800	4
Library Acquisitions	461,200	-	461,200	461,200	-
Merchant Credit Card Banking Fees	433,200	-	433,200	433,200	-
Military/ROTC Programs	150,704	-	150,704	-	150,704
Minority Student Recruitment	185,184	-	185,184	185,200	(16)
Minority Summer Institute for Writing	13,482	-	13,482	13,500	(18)
New Start	323,000	-	323,000	-	323,000

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## LOCAL COLLECTIONS (Cont.)

	FY17 BUDGET			FY16 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
Office of the Registrar	844,078	-	844,078	-	844,078
Online Program Support	8,900,000	-	8,900,000	-	8,900,000
Student Affairs Fringe Benefits/Admin Support	4,235,039	-	4,235,039	-	4,235,039
Student Affairs Systems Group	931,735	-	931,735	-	931,735
Student Activities	9,000	-	9,000	9,000	-
Student Child Care Voucher Program	83,100	-	83,100	83,100	-
Student Financial Aid Office	1,306,561	-	1,306,561	-	1,306,561
Student Programs	774,187	-	774,187	680,200	93,987
Student Services	1,039,825	-	1,039,825	254,400	785,425
Student Services Support - Student Union O&M	989,193	-	989,193	1,083,500	(94,307)
Student Transitions/Retention	235,484	-	235,484	-	235,484
Student Travel Support	50,329	-	50,329	50,300	29
Sustainability Projects	600,000	-	600,000	600,000	-
UA Presents	24,600	-	24,600	24,600	-
Utilities	1,029,161	-	1,029,161	2,069,500	(1,040,339)
<b>OPERATING FUNDS SUBTOTAL</b>	<b>\$ 42,914,606</b>	<b>\$ -</b>	<b>\$ 42,914,606</b>	<b>\$ 35,135,100</b>	<b>\$ 7,779,506</b>
<i>FINANCIAL AID</i>					
Main Campus Financial Aid - ABOR Policy	45,325,800	-	45,325,800	43,369,000	1,956,800
UA South Campus Financial Aid - ABOR Policy	580,000	-	580,000	579,300	700
Student Aid Awards (formerly tuition waivers)	133,344,700	2,091,200	135,435,900	134,708,900	727,000
College of Medicine Financial Aid - ABOR Policy	-	1,201,200	1,201,200	1,182,200	19,000
College of Medicine-Phx Financial Aid - ABOR Policy	-	890,200	890,200	876,500	13,700
Merit Based Financial Aid	3,619,300	-	3,619,300	3,619,300	-
<b>SUBTOTAL</b>	<b>\$ 182,869,800</b>	<b>\$ 4,182,600</b>	<b>\$ 187,052,400</b>	<b>\$ 184,335,200</b>	<b>\$ 2,717,200</b>



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# ANNUAL BUDGET

## LOCAL COLLECTIONS (Cont.)

	FY17 BUDGET			FY16 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
<u>MINOR CAPITAL PROJECTS/START UP FUNDS</u>	4,776,500	-	4,776,500	4,776,500	-
<u>DEBT SERVICE</u>	28,152,400	-	28,152,400	28,152,400	-
<b>TOTAL LOCAL RETENTION FROM TUITION</b>	<b>\$ 258,713,306</b>	<b>\$ 4,182,600</b>	<b>\$ 262,895,906</b>	<b>\$ 252,399,200</b>	<b>\$ 10,496,706</b>
 <b>LOCAL COLLECTIONS FROM PROGRAM FEES</b>					
College of Architecture & Landscape Architecture	697,655	-	697,655	542,300	155,355
College of Agriculture and Life Sciences	1,990,207	-	1,990,207	379,600	1,610,607
College of Engineering	2,967,000	-	2,967,000	2,712,000	255,000
College of Fine Arts	412,145	-	412,145	418,500	(6,355)
College of Medicine-Tucson	32,164	-	32,164	17,700	14,464
College of Nursing	1,978,000	-	1,978,000	2,061,500	(83,500)
College of Pharmacy	4,706,178	-	4,706,178	4,248,700	457,478
College of Public Health	439,589	-	439,589	359,500	80,089
College of Science	838,359	-	838,359	486,300	352,059
College of Social and Behavioral Science	1,914,228	-	1,914,228	1,422,600	491,628
Eller College of Management	10,999,162	-	10,999,162	10,038,300	960,862
Honor's College	1,806,000	-	1,806,000	1,763,000	43,000
James E Rogers College of Law	3,672,161	-	3,672,161	4,807,700	(1,135,539)
SUBTOTAL	<b>\$ 32,452,848</b>	<b>\$ -</b>	<b>\$ 32,452,848</b>	<b>\$ 29,257,700</b>	<b>\$ 3,195,148</b>

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## LOCAL COLLECTIONS (Cont.)

	FY17 BUDGET			FY16 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
<i><u>FINANCIAL AID</u></i>					
College of Architecture & Landscape Architecture Financial Aid	113,546	-	113,546	88,400	25,146
College of Agriculture and Life Sciences Financial Aid	323,988	-	323,988	65,500	258,488
College of Engineering Financial Aid	483,000	-	483,000	441,500	41,500
College of Fine Arts Financial Aid	67,093	-	67,093	68,200	(1,107)
College of Medicine-Tucson Financial Aid	5,236	-	5,236	3,000	2,236
College of Nursing Financial Aid	322,000	-	322,000	336,600	(14,600)
College of Pharmacy Financial Aid	766,122	-	766,122	693,700	72,422
College of Public Health Financial Aid	71,561	-	71,561	58,500	13,061
College of Science Financial Aid	136,476	-	136,476	81,700	54,776
College of Social and Behavioral Science Financial Aid	311,619	-	311,619	232,600	79,019
Eller College of Management Financial Aid	1,347,038	-	1,347,038	1,202,200	144,838
Honor's College Financial Aid	294,000	-	294,000	287,000	7,000
James E Rogers College of Law Financial Aid	597,794	-	597,794	782,400	(184,606)
SUBTOTAL	<b>\$ 4,839,473</b>	<b>\$ -</b>	<b>\$ 4,839,473</b>	<b>\$ 4,341,300</b>	<b>\$ 498,173</b>
<b>TOTAL LOCAL RETENTION FROM PROGRAM FEES</b>	<b>\$ 37,292,321</b>	<b>\$ -</b>	<b>\$ 37,292,321</b>	<b>\$ 33,599,000</b>	<b>\$ 3,693,321</b>
<b>TOTAL LOCAL COLLECTIONS</b>	<b>\$ 296,005,627</b>	<b>\$ 4,182,600</b>	<b>\$ 300,188,227</b>	<b>\$ 285,998,200</b>	<b>\$ 14,190,027</b>

