ARIZONA BOARD OF REGENTS
ASU ◆ NAU ◆ UA

ARIZONA BOARD OF REGENTS
SPECIAL BOARD MEETING & EXECUTIVE SESSION

THIS IS A VIRTUAL MEETING

Tuesday, December 13, 2022
12:00 p.m. - 2:00 p.m.

Members of the public may attend the public portion of the virtual meeting by viewing the livestream of the meeting.

To view the livestream of the meeting please follow the instructions below.

ABOR Live is available at the following link:
https://www.youtube.com/user/abornews

- Click the top video for the livestream of the meeting.

If the above link does not work, open a browser, go to www.youtube.com or search YouTube

- Once in YouTube, use the search bar to search for ABOR News
- Click the video that says Live

If livestream fails, a call-in option will be available for public access and will be posted on the ABOR website at http://www.azregents.edu/about/abor-live.

For technical assistance, click the link here ABOR Tech Support or email Tom.Merriam@azregents.edu and John.Murnane@asu.edu

12:00 p.m. CALL TO ORDER

12:05 p.m. EXECUTIVE SESSION

The board will convene in executive session for the following items:

A. Pursuant to A.R.S. §38-431.03(A)(1), (3) and (4) for legal advice and discussion regarding a multiple-year employment contract for Kenny Dillingham as Head Football Coach at Arizona State University.

B. Pursuant to A.R.S. §38-431.03(A)(1), (3) and (4) for legal advice and discussion regarding the first amended multiple-year employment agreement for Jedd Fisch as Head Coach of Football at the University of Arizona ("UArizona").

12:20 p.m. RESUME PUBLIC MEETING, GREETINGS AND ANNOUNCEMENTS FROM THE BOARD CHAIR

12:25 p.m. ADMINISTRATIVE BUSINESS

1. **Proposed Revisions of ABOR Policy 4-102 "NonResident Tuition" and ABOR Policy 4-321 "Student Financial Aid - Financial Aid Regulations" (First Reading and Immediate Implementation)**

   The board office and the universities ask the board to review on first reading and approve for immediate implementation the proposed revisions to ABOR Policy 4-102 "NonResident Tuition" and ABOR Policy 4-321 "Student Financial Aid – Financial Aid Regulations".

2. **Proposed Revision of ABOR Policy 4-323 "Tuition Waiver Scholarships and Institutionally Supported Financial Aid Programs-Student Financial Aid" (First Reading and Immediate Implementation)**

   The board office and the universities ask the board to review on first reading and approve for immediate implementation the proposed revisions to ABOR Policy 4-323 "Tuition Waiver Scholarships and Institutionally Supported Financial Aid Programs-Student Financial Aid".

3. **Multiple-Year Employment Contract for Head Football Coach (ASU)**

   Arizona State University asks the board to approve a multiple-year employment contract for Kenny Dillingham as Head Football Coach at ASU.

4. **Approval of First Amended Multiple-year Employment Agreement for Head Coach of the Football Team (UArizona)**

   The University of Arizona ("UArizona") asks the board to approve the first amended multiple-year employment agreement for Jedd Fisch as Head Coach of Football.

1:00 p.m. FINANCE, CAPITAL AND RESOURCES COMMITTEE

5. **Individual Project and Financing for the West Campus New Academic Building (ASU)**

   Arizona State University asks the board to approve for individual project and financing its West Campus New Academic Building project. The approximately 55,000 square foot, $33.5 million major capital project will be debt-financed with System Revenue Bonds. The annual debt service will be paid over an approximate thirty-year term and funded by tuition.

6. Ground Lease and Related Agreements for Development of New Student Housing at the West Campus (ASU)

Arizona State University asks the board to approve a ground lease of approximately 2.36 acres of real property located at the southeast corner of 49th Avenue and Verde Mall on ASU West campus (the "Parcel") with American Campus Communities or affiliates ("ACC") for the development of third-party student housing, and the right to lease all or a portion of the facility at an annual cost exceeding $1,000,000.

7. Cost Study Report

The board office asks the board to review and approve the Cost Study Report, due to the governor and legislature by December 15, 2022, as required by A.R.S.§15-1650.03(A).

2:00 p.m. ADJOURN

PLEASE NOTE: This agenda may be amended at any time prior to 24 hours before the board meeting. Estimated starting times for the agenda items are indicated; however, discussions may commence, or action may be taken, before or after the suggested times. Any item on the agenda may be considered at any time out of order at the discretion of the board chair. The board may discuss, consider, or take action regarding any item on the agenda. During the meeting, the board may convene in executive session pursuant to A.R.S. § 38-431.03(A)(3) for legal advice regarding any item on the agenda.

Instruction re: Confidentiality

Pursuant to A.R.S. §38-431.03(B) & (C) all are reminded that minutes of and discussions that occur in executive sessions are confidential by law and that violations of that confidentiality may subject the individuals involved to such penalties as are prescribed by law, including fines, costs, attorneys' fees, and removal from office.

This page intentionally left blank

EXECUTIVE SUMMARY

Item Name: **Proposed Revisions of ABOR Policy 4-102 "NonResident Tuition" and ABOR Policy 4-321 "Student Financial Aid – Financial Aid Regulations" (First Reading and Immediate Implementation)**

☒ Action Item

Requested Action: The board office and the universities ask the board to review on first reading and approve for immediate implementation the proposed revisions to ABOR Policy 4-102 "NonResident Tuition" and ABOR Policy 4-321 "Student Financial Aid – Financial Aid Regulations"

Background/History of Previous Board Action

In March 2007, the board approved amendments to board policies on resident status and financial aid to conform to Proposition 300's (Prop. 300) amendments to A.R.S. §15-1803 and §15-1825.

Prop. 300 had amended A.R.S. §15-1803 to provide that a person without lawful immigration status was not entitled to classification as an in-state student. It also created A.R.S. §15-1825 to provide that a person who is not a U.S. citizen or resident and who is without lawful immigration status was not entitled to tuition waivers, fee waivers, grants, scholarship assistance, financial aid, tuition assistance or any other type of financial assistance that is subsidized or paid in whole or in part with state monies.

In 2021, Arizona's Fifty-fifth Legislature, First Regular Session, passed Senate Concurrent Resolution 1044 ("S.C.R. 1044"), and filed it with the Secretary of State on May 13, 2021 to be submitted to voters at the general election in 2022.

S.C.R. 1044 became Proposition 308 ("Prop. 308"), and in November 2022, the voters passed Prop. 308.

Discussion

Prop. 308 amended A.R.S. § 1-502 to remove postsecondary education from the state or local public benefits prescribed in 8 U.S.C. § 1621.

Prop. 308 also amended A.R.S. § 15-1803 to repeal the language added in Prop. 300, and now A.R.S. § 15-1803 provides:

Contact Information:
John Arnold, ABOR john.arnold@azregents.edu 602-229-2505
Samantha Blevins, ABOR samantha.blevins@azregents.edu 602-229-2535

B. NOTWITHSTANDING ANY OTHER LAW, A STUDENT, OTHER THAN A NONIMMIGRANT ALIEN AS DESCRIBED IN 8 UNITED STATES CODE SECTION 1101(a)(15), WHO MEETS BOTH OF THE FOLLOWING REQUIREMENTS IS ELIGIBLE FOR IN-STATE TUITION AT ANY UNIVERSITY UNDER THE JURISDICTION OF THE ARIZONA BOARD OF REGENTS OR AT ANY COMMUNITY COLLEGE AS DEFINED IN SECTION 15-1401:

1. ATTENDED ANY PUBLIC OR PRIVATE HIGH SCHOOL OPTION OR HOMESCHOOL EQUIVALENT PURSUANT TO SECTION 15-802 WHILE PHYSICALLY PRESENT IN THIS STATE FOR AT LEAST TWO YEARS.

2. GRADUATED FROM ANY PUBLIC OR PRIVATE HIGH SCHOOL OPTION OR HOMESCHOOL EQUIVALENT PURSUANT TO SECTION 15-802 WHILE PHYSICALLY PRESENT IN THIS STATE OR OBTAINED A HIGH SCHOOL EQUIVALENCY DIPLOMA IN THIS STATE.

C. PERSONS WITHOUT LAWFUL IMMIGRATION STATUS ARE ELIGIBLE FOR IN-STATE TUITION PURSUANT TO SUBSECTION B OF THIS SECTION.

Prop. 308 further repealed A.R.S. § 15-1825.

The board office asks the board to review this proposed policy on first reading and approve for immediate implementation pursuant to ABOR Policy 1-202(J). Immediate implementation is necessary to comply with the new voter approved laws.

Statutory/Policy Requirements

A.R.S. § 1-502

A.R.S. § 15-1803

Proposition 308

Senate Concurrent Resolution 1044

A.R.S. § 15-1626 “General Administrative Powers and Duties of the Board”

ABOR Policy 1-202 “Procedures for Adoption of Rules by the Board”

Proposed revisions to ABOR Policy 4-102 “NonResident Tuition” and ABOR Policy 4-321 “Student Financial Aid – Financial Aid Regulations”

4-102 ALIEN IN-STATE STUDENT STATUS; NonResident Tuition EXEMPTION

~~I. As required by A.R.S. §15-1803, a person who is not a citizen or legal resident of the United States or who is without lawful immigration status is not entitled to classification as an in-state resident.~~

I. ALIENS WHO MEET THE REQUIREMENTS OF A.R.S. §15-1803 ARE ELIGIBLE FOR IN-STATE TUITION.

4-321 Student Financial Aid – Financial Aid Regulations

A. Definitions

1. “Cost of attendance” is the estimated cost for a student to attend an institution and includes tuition, fees, room and board, books and supplies, transportation, and personal expenses.

2. “Demonstrated financial need” is calculated by a federally approved needs assessment system, or FOR STUDENTS WHO DO NOT MEET THE REQUIREMENTS OF 34 C.F.R. § 668.32(i), A SIMILAR NEEDS ASSESSMENT SYSTEM TO BE DEVELOPED BY THE UNIVERSITIES THAT takes into account a student’s expected family contribution and financial aid from outside sources to determine the amount of aid a student requires to cover the cost of attendance.

3. “Gift aid” is an award, such as a grant or scholarship, which does not have to be repaid.

4. “Graduate Assistants and Associates”

a. Graduate Teaching Assistants and Associates are full-time graduate students, selected for excellence in scholarship and promise as teachers, who do part-time teaching as a portion of their training under the direct supervision of faculty members.

b. Graduate Research Assistants and Associates are full-time graduate students, selected for excellence in scholarship and promise as researchers, who engage in part-time research as a portion of their training under the direct supervision of faculty members.

c. Graduate (Teaching and Research) Assistants and Associates may be considered residents to tuition purposes.

5. "Grants" are a form of gift aid that do not have to be repaid, and are generally distributed based on financial need.

6. "Scholarships" are a form of gift aid that do not have to be repaid, and are generally distributed based upon a special ability, talent or meritorious achievement.

7. "Self-help aid" is a loan, work study or other on campus employment.

8. "Tuition Waivers" are defined as follows:

a. A resident tuition waiver waives the resident tuition approved by the Board.

b. A nonresident tuition waiver waives the difference between nonresident tuition and resident tuition approved by the Board.

~~B. Eligibility~~

~~As required by A.R.S. §15-1825, a person who is not a citizen of the United States and who is without lawful immigration status is not entitled to tuition waivers, fee waivers, grants, scholarships, financial aid, tuition assistance, or any other type of financial assistance that is subsidized or paid in whole or in part with state monies.~~

B. ~~C~~ General Requirements for Awarding Financial Aid

1. Financial aid may include a combination of self-help aid and gift aid. A reasonable proportion of self-help aid and gift aid should be determined in a manner that minimizes loan indebtedness and weekly work burdens. This calculation will vary by student circumstances and may differ for undergraduate and graduate students.

Institutional financial aid awards should give priority to gift aid and be used to ensure the appropriate proportion of gift and self-help aid.

2. To ensure a combination of awards based upon academic merit and financial needs:

   a. At least 50 percent of undergraduate institutional aid for Arizona residents shall be awarded to students who have demonstrated financial need. The universities must use a federally approved needs assessment system OR FOR STUDENTS WHO DO NOT MEET THE REQUIREMENTS OF 34 C.F.R. § 668.32(i), A SIMILAR NEEDS ASSESSMENT SYSTEM DEVELOPED BY THE UNIVERSITIES THAT TAKES INTO ACCOUNT A STUDENT'S EXPECTED FAMILY CONTRIBUTION AND FINANCIAL AID FROM OUTSIDE SOURCES TO DETERMINE THE AMOUNT OF AID A STUDENT REQUIRES TO COVER THE COST OF ATTENDANCE.

   b. At least 30 percent of undergraduate institutional aid for Arizona residents shall be awarded to students on the basis of merit.

   c. Meritorious students with demonstrated financial need may be included in the calculations described in both (a) and (b).

   d. The following categories of awards are not included in the calculations described in a and b:

      (1) Tuition waivers required by statute, as described in ABOR Policy 4-323(B);

      (2) Resident tuition waivers for members of the Community College All-Arizona Academic Team, as described in ABOR Policy 4-323(C)(1);

      (3) Awards to student athletes, as described in ABOR Policy 4-323(D)(1); and

      (4) Employee benefits such as the Qualified Tuition Reduction (described in ABOR Policy 6-902) and the Educational Assistance Plan (described in ABOR Policy 6-903).

~~D~~.C. Regents Set Aside – Board of Regents Designated Tuition Retained and Set aside for Need-based Student Financial Aid

As part of each institution's financial aid program, the Regents set aside is an amount of Board designated tuition retained and set aside at each university for awards to students with demonstrated financial need.

1. Each year at the time the Board sets the expenditure authority for the ensuing fiscal year, the Regents set aside amount for each university shall be 14% of the resident tuition for the academic year multiplied by the estimated sum of resident full pay equivalents and non-resident full pay equivalents.

   The Board may consider additional Regents set aside amounts at its discretion.

   A resident full pay equivalent is generated by collection of an amount equal to resident tuition and a non-resident full pay equivalent is generated by collection of an amount equal to non-resident tuition.

2. The university shall award the Regents set aside funds consistent with the following provisions:

   a. All awards shall be in the form of gift aid to students with demonstrated financial need.

   b. Priority for awards shall be given to undergraduate Arizona residents.

   c. Need shall be determined by the federally approved need assessment system or BY A SIMILAR NEEDS ASSESSMENT SYSTEM DEVELOPED BY THE UNIVERSITIES THAT TAKES INTO ACCOUNT A STUDENT'S EXPECTED FAMILY CONTRIBUTION AND FINANCIAL AID FROM OUTSIDE SOURCES TO DETERMINE THE AMOUNT OF AID A STUDENT REQUIRES TO COVER THE COST OF ATTENDANCE.~~by the professional judgment of a financial aid officer on a case-by-case basis with appropriate documentation on file and available for review by an internal auditor from the Board's Office~~.

d. Each university may use the funds in a manner to best meet the specific needs of the applicants for financial aid on that campus.

e. Awards made from these funds shall not be used to replace federal grants to which the student is entitled.

f. The universities may continue to use the funds to provide the required institutional match for the Federal Perkins Student

Loan Program under Title IV of the Higher Education Act, as amended.

~~E~~.D. Reporting Requirements

1. Prior to the Board setting tuition, each university will submit for Board approval its financial aid report for the most recently completed academic year and its financial aid plan for the next two academic years. The report shall be used to communicate the sources and distribution of financial aid to students at each university in order to evaluate the impact of financial aid in advancing enterprise goals. Each financial aid report and financial aid plan must contain information regarding:

   a. The value of any waivers, grants, and scholarships and their distribution among residents and nonresidents;

   b. The distribution of financial aid between needy and meritorious recipients;

   c. The distribution of financial aid between undergraduate and graduate students;

   d. The total institutional aid awarded by scholarships, regents set aside, and other awards required by Statute or Board Policy;

   e. The amount of aid awarded by type and by source;

   f. The ratio of gift aid to self-help aid;

   g. The documented need for various categories such as undergraduate and graduate students;

h. Financial aid distribution by income level;

i. Regarding funding from the Arizona Financial Aid Trust (AFAT), the plans to expend each institutions allocation of immediate aid funds for the coming program year, the use of the funds in the current and previous year, and a status report on the AFAT accounts;

j. As required in A.R.S. §15-1646, information for the prior academic year related to each merit based scholarship

awarded to students from public, private, charter, and home schools:

(1) The total number and dollar amount of awards and the total number of applicants, aggregated by type of student;

(2) The specific criteria used to award each scholarship, including average and range of SAT and ACT scores; and

(3) The number of newly awarded scholarships and the number of renewed scholarships;

k. Information to assist in the analysis of how each institution's financial aid programs have been allocated to maintain or improve affordability for resident undergraduates; and

l. Any other requirements as prescribed in A.R.S. §15-1650.

2. Prior to the Board setting tuition, each university will report information on the cost of attendance calculated using a common framework.

3. As required in A.R.S. §15-1642, beginning on July 1, 1992, the Board shall report every three years to the Legislature and the Governor on the status of the AFAT Fund.

E~~F~~. Naming of Board Established Financial Aid Programs

1. A Board-established financial aid program shall not be named for a living person without a two-thirds majority vote of the members of the Board present.

2. The name or title of any Board-established financial aid program must be approved in advance by the Board.

F~~G~~. Student Loan Collections

Overdue student loans may be placed for collection with nationwide collection agencies and/or law firms selected by the university.

This page intentionally left blank

EXECUTIVE SUMMARY

Item Name: **Proposed Revision of ABOR Policy 4-323 "Tuition Waiver Scholarships and Institutionally Supported Financial Aid Programs-Student Financial Aid" (First Reading and Immediate Implementation)**

☒ Action Item

Requested Action: The board office and the universities ask the board to review on first reading and approve for immediate implementation the proposed revisions to ABOR Policy 4-323 "Tuition Waiver Scholarships and Institutionally Supported Financial Aid Programs-Student Financial Aid".

Background/History of Previous Board Action

In 2021, Arizona established the Arizona Promise Program administered by the board and the Legislature appropriated state funding to support the program.

Under the current program, the universities must award funds to new first-time, full-time, resident students who are admitted into the institution after the Fall semester 2021 and who timely complete a Free Application for Federal Student Aid (FAFSA) and are eligible for the maximum Pell award and/or have a Zero ($0) Expected Family Contribution (EFC)**.**

The Arizona Promise award amount is up to the actual cost of in-state tuition, mandatory fees, and program fees.

The award is a last-dollar award amount, which means the student's other federal, state, private or public scholarship, grant, or gift aid reduces the student's Promise award.

The board is responsible for developing and implementing centralized administrative processes for distributing the fund each fiscal year. The board adopted policy governing the administration of the program at its February meeting.

Discussion

The board office and the universities ask the board to revise the policy to allow greater flexibility to administer the program.

Contact Information:
Chad Sampson, ABOR chad.sampson@azregents.edu 602-229-2512

These changes are necessary for immediate implementation to comply with the law and to allow any first-time, full-time, resident students admitted into to an ABOR university who timely complete a Free Application for Federal Student Aid (FAFSA) and are eligible for any Pell award.

The changes also include a correction to a scrivener's error in section (E)(4), as an incorrect section was deleted in the last board meeting, impacting readability. The changes are highlighted in yellow for clarity.

The Arizona Promise Program will now support all students who were new first time, fulltime resident students admitted to an ABOR university, but it does not include transfers from other institutions.

The board office asks the board to review this proposed policy on first reading and approve for immediate implementation pursuant to ABOR Policy 1-202(J). Immediate implementation is necessary, so the changes can be applied in the Spring 2023 semester.

Statutory/Policy Requirements

A.R.S. §15-1701 "Arizona Promise Program; eligibility requirements; award; fund; definitions"

A.R.S. §15-1626 "General Administrative Powers and Duties of the Board"

ABOR Policy 1-202 "Procedures for Adoption of Rules by the Board"

Proposed revision to ABOR Policy 4-323 “Tuition Waiver Scholarships and Institutionally Supported Financial Aid Programs-Student Financial Aid”.

E. Arizona Promise Program

1. Universities shall award the Arizona Promise as established by A.R.S. §15-1701 to a student who:

   a. Is admitted to an ABOR institution as a new first-time, full- time, on campus degree seeking student ~~during and after the Fall semester 2021~~;
   b. Is an Arizona resident per A.R.S. §15-1802;
   c. Graduated from an Arizona high school;
   d. Graduated with a minimum 2.5 cumulative high school grade point average on a 4.0 scale;
   e. Timely completes and submits to the United States Department of Education the Free Application for Federal Student Aid (FAFSA); and,
   f. Meets the eligibility criteria for the Federal Pell Grant. For the purposes of this program, Federal Pell Grant means ~~the maximum~~ ANY Federal Pell Grant award ~~with a zero expected family contribution~~.

2. Student must enroll at university at the beginning of the Fall or Spring semester immediately after Arizona high school graduation, with only breaks or gaps in enrollment allowed by institutional policy.
3. Students who submit to the United States Department of Education the FAFSA form with the ABOR university appropriately listed no later than April 1 of the spring preceding the academic year in which the student is applying will be given funding priority.
4. THE ARIZONA PROMISE TUITION AND FEE AWARD WILL BE UP TO THE FULL COST OF TUITION, MANDATORY FEES, AND PROGRAM FEES. THE AWARD SHALL BE applied after and reduced by the amount of any of the following received by the student:

a. federal aid;

b. state aid;

c. private aid and scholarships;

d. public scholarships or grants.

5. The universities will calculate the Arizona Promise Award amount one time, and after that initial award, the universities will not recalculate the award amount unless it is to benefit the student or otherwise required by Title IV of the Higher Education Act of 1965.
6. Any institutional gift aid granted to qualifying students for tuition, mandatory fees, and program fees shall be identified as Arizona Promise. An Arizona Promise award, however, does not prevent a university from awarding a student other institutional need-based gift aid for other costs of attendance.
7. Students are eligible for the Arizona Promise program for eight academic semesters or their equivalent. Semesters must be continuous Fall and Spring with breaks allowed by institutional policy.
8. To renew the Arizona Promise Program award a student must:
    a. Complete and submit to the United States Department of Education the FAFSA form no later than April 1;
    b. Maintain at least full-time status as determined by federal student financial aid guidelines;
    c. Maintain satisfactory academic progress as required for eligibility for federal student financial aid; and
    d. Continue to meet the eligibility criteria for the Federal Pell as defined in this policy.

EXECUTIVE SUMMARY

Item Name: **Multiple-Year Employment Contract for Head Football Coach (ASU)**

☒ Action Item

Requested Action: Arizona State University asks the board to approve a multiple-year employment contract for Kenny Dillingham as Head Football Coach at ASU.

Background / History of Previous Board Action

- ASU desires to offer a multiple-year employment contract to Kenny Dillingham ("Coach") to serve as Head Football Coach at ASU. The contract would be for a five-year term.
- Coach is an Arizona native and a 2013 graduate of ASU who began his collegiate coaching career at ASU as an offensive assistant (2014-15). Coach has most recently been the offensive coordinator at the University of Oregon where he is a nominee for the 2022 Broyles Award presented annually to the top assistant coach in college football.
- After two seasons as an offensive assistant at ASU, Coach followed former Sun Devil offensive coordinator Mike Norvell to the University of Memphis serving as a graduate assistant in 2016 before being elevated to quarterbacks and tight ends coach in 2017 and ultimately offensive coordinator in 2018.
- Coach was the offensive coordinator and quarterbacks coach at Auburn in 2019, when he coached freshman quarterback Bo Nix to SEC Freshman of the Year honors. Coach helped Auburn to a 9-3 record and an invitation to the Outback Bowl. The team's scoring offense ranked third in the conference and 28th nationally with an average of 33.2 points per game.
- Coach spent two seasons (2020-21) as the offensive coordinator and quarterbacks coach at Florida State. In 2021, Florida State's offense was among the most explosive in the nation, finishing 18th nationally in plays for 60-plus yards (6) and eighth with three touchdowns longer than 75 yards.
- Since assuming the title of offensive coordinator for the first time in 2018 at Memphis, Coach's offenses have produced at the highest level across four conferences, with his offense finishing fourth in the FBS in yards per game in 2018 (523.1) and finishing the current regular season with Oregon fourth in the FBS at 507.8 yards per game. His team's scoring offenses have been

Contact Information:
Lisa Loo, ASU lisaloo@asu.edu 480-965-4550
Ray Anderson, ASU reanderson@asu.edu 480-965-8419

highlighted with tallies of 42.9 points per game at Memphis in 2018 (7th in FBS), 33.3 points per game in the SEC at Auburn in 2019 (28th in FBS) and 39.7 yards per game after the regular season this year at Oregon (8th in the FBS).

- Based on ASU's due diligence, there are no issues concerning Coach such as NCAA or Pac-12 Conference rule violations, litigation or press controversies related to his prior employment as a coach, or allegations of wrongdoing.

Discussion

Contract Duties, Length and Annual Salary

- Coach's duties will be those customarily associated with the head coach of a Division 1 football program. This includes, among other things, overseeing all aspects of the Sun Devil Football program, supervising the coaches and other employees, and coaching the student-athletes – athletically and academically – all in accordance with applicable ASU, ABOR, Pac-12 and NCAA policies, rules and regulations. In addition, Coach will have duties associated with his role as head coach, including media activities such as radio and television appearances, development activities on behalf of ASU and Sun Devil Athletics, and other public relations activities.

- The initial term of Coach's contract will be five years, expiring November 27, 2027.

- Coach's annual salary will initially be $3,850,000. Commencing November 28, 2023 and on each November 28 thereafter during the contract term, Coach's annual salary will be increased by $100,000. Coach's salary will be paid from public university funds, specifically from revenue generated by Sun Devil Athletics.

- If the NCAA imposes (a) a scholarship reduction penalty of four or more scholarships or (b) a post-season bowl game ban on the Sun Devil Football program as sanctions for events occurring wholly prior to Coach's employment as head coach of the program, ASU will request ABOR approval of an extension of Coach's contract for each year such sanctions are in effect, with each additional year including the annual salary increase of $100,000. ASU will make each request for an extension in accordance with ABOR policy.

Annual Incentive Bonuses

I. Athletic Performance Bonuses

Coach may receive one-time compensation on an annual basis for the following athletic performance achievements by the Sun Devil Football program in a given year. There will be only one payment for the highest achievement under each section except as otherwise noted.

A. Regular Season Wins (Payment in this section is cumulative; total possible bonus = $1,400,000)

9 wins	=	$200,000
10 wins	=	$300,000
11 wins	=	$400,000
12 wins	=	$500,000

B. Conference Performance

Appearance in Pac-12 Championship	10% of annual salary
OR	
Wins Pac-12 Championship	20% of annual salary

(Maximum possible bonus = $770,000)

C. Post-Season Performance

Non-Major Bowl Game Appearance	$50,000
AND	
Non-Major Bowl Game Win	1 month of annual salary

(Maximum possible bonus = $370,833)

Appearance in a Major Bowl Game (Rose, Sugar, Orange, Cotton, Peach or Fiesta)	15% of annual salary
OR	
Wins Major Bowl game	25% of annual salary

(Maximum possible bonus = $962,500)

Appearance in College Football Playoff (CFP)	30% of annual salary
Wins CFP Quarterfinal game	35% of annual salary
Wins CFP Semifinal game	40% of annual salary
OR	
Wins CFP championship game	50% of annual salary

(Maximum possible bonus = $1,925,000)

D. Coach of the Year Awards (One payment for each achievement; total possible = $150,000)

National Coach of the Year	$100,000
Any Other Coach of the Year	$50,000

E. Rankings in Final Polls (Non-cumulative; there will be only one payment for the highest achievement, whichever ranking is highest and regardless of poll; maximum possible bonus = $115,500)

Top 5 Ranking in Final Poll	3% of annual salary
Top 10 Ranking in Final Poll	2% of annual salary
Top 25 Ranking in Final Poll	1% of annual salary

Based on Coach's initial annual salary, if Coach earned the maximum athletic performance bonus allowed in each category, he would receive $4,360,500.

II. Academic Performance Bonuses

Coach may receive one-time compensation on an annual basis for the following academic performance achievements by the Sun Devil Football program in a given year. There will be only one payment in each category for the highest achievement except as otherwise noted.

A. GPA / GSR Performance Bonuses

Academic Year GPA		Graduation Success Rate	
Compensation	Based on Fall/Spring Semesters	Compensation	Based on NCAA Definition
$150,000	3.00	$150,000	91%
$100,000	2.90	$100,000	86%
$62,500	2.80	$62,500	81%
$37,500	2.70	$37,500	76%
Note that the team GPA for the 2020-21 year was 2.56.		Note that the Graduation Success Rate for the 2020-21 year was 86%.	

B. APR Performance Bonuses

Coach will receive a bonus of 5% of annual salary if the football team's Academic

Progress Rate (APR) is 969 and an additional 5% of annual salary if the APR is over 974.

Note that the most recent APR for Sun Devil Football was 983, which is an all-time high for the program.

C. Honors College Enrollment Performance Bonuses

Coach will receive the following bonus payments based on the number of new Sun Devil Football program scholarship student-athletes enrolled in ASU's Barrett Honors College in a given year. There will be only one payment for the highest achievement.

3-6 new scholarship student-athletes	$50,000
7-11 new scholarship student-athletes	$100,000
12 or more new scholarship student-athletes	$250,000

Based on Coach's initial annual salary, if Coach earned the maximum academic performance bonus allowed in each category, he would receive $935,000.

Miscellaneous Provisions

- Coach will receive customary employee-related benefits that are normally available to other university staff employees. Coach will receive additional benefits consisting of payment of relocation expenses, tickets to ASU sporting events, use of two late-model vehicles or an automobile stipend, golf privileges at the ASU golf course, reimbursement of membership fees, monthly dues and annual minimum charges at a country or social club, use of a Sun Devil Stadium suite at all home football games, and the ability to have Coach's immediate family travel to all away and post-season football games.

- There is no buyout related to Coach's previous employment.

- Coach will have the right to conduct camps in accordance with ASU and Sun Devil Athletics policies, subject to a separate agreement if Coach uses university facilities and/or marks. Coach will own all rights to the camps and revenues associated with the camps. Coach will also be solely responsible for all camp expenses.

- Coach may enter into personal service agreements with other parties provided such agreements are limited to speaking engagements and further provided that such agreements are approved in advance by the Vice President for University Athletics and can be performed within NCAA and board limits. Agreements in effect prior to the execution of Coach's contract will remain in effect if approved by the Vice President for University Athletics. Coach must provide an annual disclosure of all outside sources of athletics-related income and benefits, which

will be provided to the Board, the ASU President and the ASU Vice President for University Athletics.

- Coach will forfeit and repay any incentive or performance bonus paid to Coach when the achievements that were the basis for such payments are vacated, diminished or in any way affected by any sanctions, whether self-imposed by ASU or imposed by the Pac-12 or the NCAA, resulting from violations of NCAA or Pac-12 Conference rules by Coach or by an assistant coach or other program member and either Coach knew or should have known that the violation had occurred or was occurring or Coach failed to establish and maintain reasonable policies and procedures for the program to prevent such violations. This clause applies regardless of whether such violations result in termination of the contract and regardless of whether Coach is still employed by ASU.

- Coach's contract may be terminated by the ASU President, or his designated representative, for cause in which case ASU will be liable only for salary and other compensation earned as of the termination date. If the contract is terminated by ASU for cause and the cause is one or more material violations by the Sun Devil Football program of NCAA or Pac-12 Conference rules, there will be a provision for Coach to pay to ASU its actual damages up to $100,000 resulting from the violations.

- ASU may terminate the contract at any time without cause. In that event, ASU will pay Coach as liquidated damages 100% of the then per annum salary for the remainder of the contract term. ASU will also pay Coach any incentive or performance bonuses earned through the termination date. Coach will have an obligation to use reasonable efforts to mitigate ASU's obligation to pay liquidated damages by seeking comparable employment after termination of the contract. The liquidated damages payable to Coach will be offset by any and all amounts Coach receives in connection with such other employment during the original term of the contract. ASU will not be liable to Coach for other university benefits or collateral business opportunities.

- If Coach terminates the contract early and accepts other employment, Coach will pay ASU liquidated damages based on the remaining contract term as follows: $4,000,000 if Coach terminates the contract on or before December 1, 2023; $3,000,000 if Coach terminates the contract on or before December 1, 2024; $2,500,000 if Coach terminates the contract on or before December 1, 2025; $1,000,000 if Coach terminates the contract on or before December 1, 2026; and nothing if Coach terminates the contract after December 1, 2026. If Coach's contract is subsequently extended, these buyout terms will be adjusted based on the number of years in the extended contract term.

- If Coach terminates the contract, Coach may not obtain employment as head coach with any Pac-12 Conference school for the time period remaining under the contract without the prior consent of the ASU President.

- Coach's duties include the obligation to abide by all applicable board and university policies (including those related to conflicts of interest) as well as all NCAA and ASU rules, regulations and policies as may be in effect from time to time. In addition, Coach's contract will include various compliance obligations, including the obligation to promptly disclose potential NCAA or Pac-12 rules violations, to cooperate fully with investigations of rules violations, and to comply with all reporting and other requirements under Title IX and related laws.

Statutory/Policy Requirements

ABOR Policy 6-910 requires board approval of multiple-year employment contracts for head football coaches.

ABOR Policy 6-1001 provides the requirements for multiple-year appointments of head coaches.

This page intentionally left blank

EXECUTIVE SUMMARY

Item Name: **Approval of First Amended Multiple-year Employment Agreement for Head Coach of the Football Team (UArizona)**

☒ Action Item

Requested Action: The University of Arizona ("UArizona") asks the board to approve the first amended multiple-year employment agreement for Jedd Fisch as Head Coach of Football, as described in this executive summary.

Background

- UArizona seeks review and approval of a first amended multiple-year employment agreement ("First Amended Agreement") for Head Coach of Football Jedd Fisch ("Fisch") through the period ending November 30, 2027. This First Amended Agreement would result in a new five-year agreement, while also amending the salary terms and other certain terms agreed to between Fisch and UArizona following Fisch's second season as Football Coach, during which the football program made significant improvements both on and off the field.

- Fisch was hired by UArizona in December 2020 and, following Board approval, UArizona entered into the Multiple-year Employment Agreement ("Original Agreement") with Fisch with a base annual salary of $1,800,000, with annual increases through the end of the term of November 30, 2025, along with Additional Duties compensation of $500,000 per contract year. Based on the remarkable progress and improvement of the football program during Fisch's first two years as coach, UArizona wishes to enter into the First Amended Agreement adjusting his base annual salary and certain other terms.

- The team posted a 4-win improvement in Fisch's second season, going from 1-11 to 5-7. (The team had gone 0-5 in the Covid-shortened season the year prior to Fisch's hire). This ties the third-largest single year win increase in program history. The team's last 4-win improvement came in 2017. After finishing 12th in the Pac-12 standings in 2020 and 2021, Arizona rose to eighth place this past season.

- Fisch led Arizona to a win in the 2022 Territorial Cup, snapping ASU's 5-game winning streak in the series. The victory over ASU was not the only marquee win this season. The Wildcats beat No. 9 UCLA on the road. This was the Wildcats'

Contact Information:
Laura Todd Johnson, UA LTJ@arizona.edu 520-621-5150
Dave Heeke, UA daveheeke@arizona.edu 520-621-4622

first AP Top 25 win since beating No. 19 Oregon in 2018 and their first road AP Top 10 win since beating No. 10 Utah in 2015.

- Since taking over as coach in December 2020, Arizona Football has made significant improvements in academics.
    - During Fisch's tenure, the football program set records for highest GPA during the Fall (2.745 in Fall 2021), Spring (2.745 in Spring of 21) and Summer (3.180 in Summer 2022) semesters.
    - The football program had 15 student-athletes selected to the Fall 2021 Pac-12 Honor Roll, which marked the most Football honorees to make a semester honor roll in the three-year history of the award.
    - Punter Kyle Ostendorp was valedictorian for the 2022 Arizona Athletics Student-Athlete Convocation.

- Fisch led the team and individuals to several statistical achievements and improvements this past season.
    - After ranking ninth in rushing, sixth in passing, and 12th in scoring offense in the Pac-12 in 2021, Arizona finished 2022 seventh in rushing, third in passing, and seventh in scoring offense.
    - Arizona went from 124th in the nation in scoring offense in Fisch's first season to 48th in 2022. Similarly, Arizona rose to 22nd in the NCAA in total offense in 2022 after finishing 101st in 2021.
    - Jacob Cowing and Dorian Singer each eclipsed the 1,000-yard mark in receiving, making Arizona one of three programs in the nation to end the regular season with a pair of 1,000-yard receivers.
    - Quarterback Jayden de Laura, who was recruited by Fisch through the transfer portal, threw for 3,685 yards and 25 touchdowns, which ranked sixth and third respectively in program history for a season. Jacob Cowing, also recruited by Fisch through the transfer portal, finished his 2022 season with 85 catches for 1,034 yards, which were the third-most catches and the seventh-most yards in a season by a Wildcat. His 85 catches were the most by an Arizona wide out since Bobby Wade's 93-reception season in 2002.
    - Tetairoa McMillan, who was recruited by Fisch, finished his freshman season with 39 catches for 702 yards and eight touchdowns. His 702 yards were the most ever by an Arizona freshman and his yardage and eight touchdown catches were tops among all FBS freshmen.

- Fan engagement has also increased significantly while the team has been under Fisch's leadership. Arizona Football sold 16,467 season tickets for the 2022 season after selling 14,539 season tickets the year prior. Average home game attendance increased from 34,900 in 2021 to 44,209 in 2022. Arizona's year-

over-year attendance increase (+26.7%) in 2022 was the most in the Pac-12 and 11th nationally. Arizona sold out its home game versus Oregon in 2022 (50,800) for the program's first sellout since the 2015 season.

- Fisch has also excelled in recruiting. Under Fisch's leadership, Arizona signed the highest-rated recruiting class in program history in 2022, which ranked in the top-25 nationally and first in the Pac-12. The nationally-ranked class was highlighted by wideout Tetairoa McMillan, a 5-star commit, who was the highest-ranked recruit to ever sign with Arizona. Fisch successfully utilized the transfer portal to bring in impact players such as QB Jayden de Laura from Washington State, WR Jacob Cowing from UTEP, and DE Hunter Echols from USC.

- In light of this dramatic improvement in team, individual, and academic performance, which has led to markedly improved fan attendance and engagement, UArizona is seeking approval to amend Fisch's Original Agreement to increase Fisch's compensation, to provide him a new five-year agreement, and to modify the buyouts by the University and Fisch in the event of a termination without cause. The modification of financial terms demonstrates Fisch's and UArizona's commitment to each other and their commitment to the continued improvement and success of the football program.

- Based on due diligence, UArizona is not aware of any issues negatively affecting Fisch's continued employability, including but not limited to NCAA violations, claims or litigation related to his prior employment, allegations of wrongdoing, or significant press controversies.

Discussion

- The term of the proposed First Amended Agreement will be five years, from December 1, 2022, through November 30, 2027. The first year will be from December 1, 2022, through November 30, 2023. Each successive year will be from December 1 through November 30.

- Fisch's duties will continue to be those customarily associated with the head coach of a Division I football program. This includes, among other items, overseeing all aspects of the program, supervising the coaches and other employees, and coaching the student-athletes, athletically and academically, all in accordance with applicable University, ABOR, Pac-12, and NCAA policies, rules, and regulations.

- Fisch's annual compensation from UArizona includes base salary as well as additional duties compensation. These additional duties are related to Fisch's

public facing duties as coach, including engaging in regular interviews with television, radio, and internet programs, supporting promotional and advertising activities, and other activities that further the interest of the program and UArizona. The additional duties compensation will remain $500,000 for each contract year of the First Amended Agreement. Fisch's base salary will start at $2.35 million for the first year of the proposed agreement and increase incrementally each year, for a combined compensation amount from UArizona in each year as follows:

- Year 1 - $2,850,000 ($2.35 million base salary + $500,000 addtl. duties)
- Year 2 - $3,000,000 ($2.5 million base salary + $500,000 addtl. duties)
- Year 3 - $3,200,000 ($2.7 million base salary + $500,000 addtl. duties)
- Year 4 - $3,250,000 ($2.75 million base salary + $500,000 addtl. duties)
- Year 5 - $3,600,000 ($3.1 million base salary + $500,000 addtl. duties)

In addition to the amounts above, Fisch will also receive compensation for arrangements he is expected to enter into with Nike and Learfield, and Fisch may also earn incentive compensation for certain academic and athletic achievements, as set out below.

- There are no changes to the annual academic and athletic performance incentives from the Original Agreement, nor is there any change to the existing retention payment of $400,000. This retention incentive will be vested and earned only if Fisch remains employed at UArizona in good standing as of November 30, 2024.

- The First Amended Agreement may be terminated by UArizona without cause. In that event, UArizona will pay Fisch 70% of the remainder of the value of the agreement (base + additional duties compensation). If terminated during a contract year, the payout will be 70% of the remaining value of that contract year plus 70% of the remaining years of the agreement. These payment amounts will be offset by any and all amounts Fisch receives if he is employed at any other university or professional team in a coaching capacity or working in a media capacity, at any time during the agreement term. Fisch will have a reasonable duty to mitigate by seeking employment following such a termination.

  The First Amended Agreement may be terminated by Fisch without cause. In that event, Fisch will pay UArizona liquidated damages for each year remaining in the agreement, calculated as follows: $6,500,000 if terminated during Year 1; $5,500,000 if terminated during Year 2; $3,500,000 if terminated during Year 3; $2,000,000 if terminated during Year 4; $1,500,000 if terminated during Year 5.

- All other terms of the Original Agreement will remain the same in the First

Amended Agreement.

Statutory/Policy Requirements

ABOR Policy 6-910 requires board approval of multiple-year employment contracts for head football coaches.

ABOR Policy 6-1001 provides the requirements for multiple-year appointments of head coaches.

This page intentionally left blank

EXECUTIVE SUMMARY

Item Name: **Individual Project and Financing for the West Campus New Academic Building (ASU)**

☒ Action Item

Requested Action: Arizona State University asks the board to approve for individual project and financing its West Campus New Academic Building project, as described in this executive summary. The approximately 55,000 square foot, $33.5 million major capital project will be debt-financed with System Revenue Bonds. The annual debt service will be paid over an approximate thirty-year term and funded by tuition.

Previous Board Action

- FY 2023–2025 Capital Improvement Plan October 2021

Project Justification/Description/Scope

- This four-story, approximately 55,000 gross-square-foot facility will consist of new student gallery space, computer labs, drawing labs, faculty offices and future growth spaces on the ASU West campus, between North University Way and West Wood Drive on North 49th Way, as depicted on the map attached as Exhibit B.

- The university is not able to meet the demand for on-campus academic space at the West campus. Increases are anticipated within the following schools at the West campus: New College, Barrett Honors College, Carey School of Business, Watts College of Public Service, Thunderbird Global Management, Health Solutions, Nursing and Mary Lou Fulton Teachers College, as well as new programs with Fulton Schools of Engineering.

- The new academic building, along with the proposed 134,264 gross-square-foot, approximately 500-bed Phase 2 Residence Hall, at the West campus will facilitate several university and Board goals. These include advancing student learning and empowering educational success through a safe, clean and affordable environment by offering connections, engagement and collaboration in student programming opportunities. Most importantly, the additional academic space will enable enrollment growth planned as the West campus moves toward its 15,000 student goal.

Contact Information:
Morgan R. Olsen, ASU Morgan.R.Olsen@asu.edu 480-727-9920

Project Delivery Method and Process

- The project will be constructed through the CMAR delivery method. This approach was selected to streamline project delivery and to alleviate potentially adversarial project environments.

- ASU selected Todd and Associates as the architect via a bid waiver as it has developed academic plans for the project.

Project Status and Schedule

- It is anticipated that the New Academic Building project will begin construction in March 2023 and complete in December 2024 to support occupancy for the spring 2025 term.

Project Cost

- The budget for this approximately 55,000 gross-square-foot project is $33.5 million, representing an estimated construction cost of $468 per gross square foot. The estimated total cost is $609 per gross square foot.

- Comparable Projects:

Project	Description	Location	Project Size GSF	Total Project Cost/GSF	Year Completed
Fusion on First (academic portion)	Lowest three levels with music and fashion studios, classrooms and maker spaces	Downtown Phoenix	76,293	$650	2021
Durham Hall Renovation	Six-level classroom and office building	Tempe	142,913	$455	2021
Average Comparable Total Project Cost				**$553**	

Fiscal Impact and Financing Plan

- The project will be debt-financed with approximately $33.5 million of system revenue bonds amortized over an approximate thirty-year term. The annual debt service will be funded by tuition and is included in current budget planning.

- ASU will:
  (a) sell one or more series of system revenue bonds to finance the project, costs of issuance of the bonds and payments to a bond insurer or other credit enhancer, provided such payments result in a benefit that exceeds the amount of such payments;
  (b) sell bonds at a price at, above or below par, on a tax-exempt or taxable basis, in one or more series, at a fixed or variable rate of interest;
  (c) enter into necessary agreements, including those related to bond insurance or other credit enhancement agreements, if any; and
  (d) utilize a financial advisor, bond counsel, and bond trustee for the financing. The system revenue bonds will be marketed and sold on a negotiated basis, either to one or more investment banking firms currently in a pool of bond underwriters procured by the three state universities or by the State of Arizona or by a direct sale to a bank or banks or other financial institutions.

- **Debt Ratio Impact**: The projected incremental debt ratio impact for this project is 0.06 percent.

- Operations and maintenance costs are estimated at $530,224 annually and will be funded by tuition.

Occupancy Plan

- When the facility opens in spring 2025, it will include new student gallery space, computer labs, drawing labs, faculty offices and future growth spaces serving students on the ASU West campus.

- The new academic building on the West campus is intended to facilitate the reprogramming of existing outdated instructional space on the West campus, primarily in the CLCC Building. That space would be converted to instructional and research labs of multiple types. These labs will support the growing forensics program, the expansion of the nursing program to the West campus that starts next fall, and the research programs of new lab-intensive faculty being recruited to the West campus. The approximately 55,000 gsf new building planned for a site just north of the new residence hall along the West Verde Mall will provide modern classroom, studio, computer lab and office space for the activities relocated primarily

from CLCC, as well as roughly 20,000 nasf of expansion space for future growth anticipated as total enrollment grows toward the 15,000-student goal.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.4, each university shall submit an individual project and financing plan.

- Individual project and financing plans are reviewed by the Finance, Capital and Resources Committee and approved by the board. Approval of the individual project and financing plan authorizes the university to proceed with financing and execution of construction contracts for the project.

Capital Project Information Summary

University: Arizona State University **Project Name:** West Campus New Academic Building

Project Description and Location: This four-story facility, totaling approximately 55,000 gross-square-feet, will consist of new student gallery space, computer labs, drawing labs, faculty offices and future growth spaces on the ASU West campus, between North University Way and West Wood Drive on North 49th Way, as depicted on the map attached as Exhibit B.

Project Schedule:

Planning	May	2022
Design Start	May	2022
Construction Start	March	2023
Construction Completion	December	2024

Project Budget:

Total Project Cost	$	33,500,000
Total Project Construction Cost	$	25,717,200
Total Project Cost per GSF	$	609
Construction Cost per GSF	$	468

Estimated Annual O&M Cost:

Utilities	$	163,681
Personnel		150,362
All Other Operations		216,181
Subtotal	$	530,224

Funding Sources:

A. System Revenue Bonds	$	33,500,000
Debt Service Funding Source:		Tuition
Operation/Maintenance	$	530,224
Funding Source:		Tuition

Capital Project Budget Summary

University: Arizona State University
Project: West Campus New Academic Building

	Annual Capital Plan
Capital Costs	
1. Land Acquisition	
2. Construction Cost	
A. New Construction	$ 25,717,200
B. Tenant Improvement	
C. Special Fixed Equipment	-
D. Site Development (excl. 2.E.)	-
E. Parking and Landscaping	-
F. Utilities Extensions	200,000
G. Other* (Demolition/abatement)	-
Subtotal Construction Cost	$ 25,917,200
3. Fees	
A. CMAR Pre-Construction	$ -
B. Architect/Engineer	1,295,860
C. Other	105,266
Subtotal Consultant Fees	$ 1,401,126
4. FF&E Movable	$ -
5. Contingency, Design Phase	194,379
6. Contingency, Constr. Phase	2,591,720
7. Parking Reserve	-
8. Telecommunications Equipment	2,000,000
Subtotal Items 4-8	$ 4,786,099
9. Additional University Costs	
A. Surveys, Tests, Haz. Mat. Abatement	$ 65,000
B. Move-in Costs	50,000
C. Printing Advertisement	5,000
D. Keying, signage, facilities support	300,000
E. Project Management Cost	865,010
F. State Risk Mgt. Ins. (.0034 **)	110,565
Subtotal Addl. Univ. Costs	$ 1,395,575
Total Capital Cost	$ 33,500,000

* Universities shall identify items included in this category.

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

EXECUTIVE SUMMARY

Exhibit "B"
West Campus New Academic Building

LOCATION AND SITE MAP

This page intentionally left blank

EXECUTIVE SUMMARY

Item Name: **Ground Lease and Related Agreements for Development of New Student Housing at the West Campus (ASU)**

☒ Action Item

Requested Action: Arizona State University asks the board to approve a ground lease of approximately 2.36 acres of real property located at the southeast corner of 49th Avenue and Verde Mall on ASU West campus (the "Parcel") with American Campus Communities or affiliates ("ACC") for the development of third-party student housing, and the right to lease all or a portion of the facility at an annual cost exceeding $1,000,000.

Background/History of Previous Board Action

- Arizona State University (ASU) has long-standing plans to grow the enrollment of its West campus to 15,000 students to serve the higher education needs of Arizona citizens, and particularly in the growing West Valley, where the recent location of a massive semiconductor manufacturing plant is spurring substantial population, business location and transportation network growth.

- American Campus Communities (ACC) is the nation's largest developer, owner and manager of high-quality student housing communities. The university has experience with ACC as the developer and operator of eight projects on ASU campuses, including Casa De Oro, a 365-bed residence hall on the ASU West campus, completed in 2012.

- ASU West campus programs continue to expand to accommodate expanding higher education needs. Enrollment increases are attributable to program offerings in cyber security and gaming. Additional growth is anticipated within the following schools at the West Campus: New College of Interdisciplinary Arts and Sciences, Barrett Honors College, W.P. Carey School of Business, Watts College of Public Service and Community Solutions, Thunderbird School of Global Management, College of Health Solutions, Edson College of Nursing and Health innovation, and the Mary Lou Fulton Teachers College.

- The university is not able to meet the anticipated demand for on-campus student housing at the West Campus, with the existing Casa De Oro and Las Casas residential facilities at capacity.

Contact Information:
Morgan R. Olsen, ASU Morgan.R.Olsen@asu.edu 480-727-9920

- The approximately 507 residence hall-style beds that would be added by this project will allow ASU to accommodate existing unmet need for student housing on the West campus and provide additional capacity for the expansion of the nursing program to that campus, the Carey School of Business entrepreneurial leadership program scheduled to begin next fall, and expansion of the ASU Pathways and International English programs. Growth of the nursing program is anticipated to result in over 500 nursing students on the West campus by fall 2025.

- As of the fall 2022 semester, there are 1,068 campus immersion (on campus) nonresident and international students enrolled at the West campus. This represents 21.5% of the total campus immersion enrollment of 4,969 this fall.

- There currently are only 673 beds available for West campus student housing, resulting in a wait list of 261 students at the start of the fall semester. As of Nov. 3, that wait list still had 41 students on it. Occupancy rates for the residence hall-style housing in the existing Casa de Oro residence hall have consistently been in the 95% to 97% range over the last six years (excluding the pandemic year of FY 2021).

- In October 2022, ASU entered into a Memorandum of Understanding (MOU) with ACC which outlined the development by ACC of an approximately 500-bed, third-party student housing project on the ASU West campus, as depicted on Exhibit A. Within the MOU, ACC agreed to undertake pre-development activities with the goal of making the project available by the fall semester of 2024.

Discussion

- University Housing exists to provide safe, clean, affordable student housing that encourages student success, connection, engagement, and involvement through student programming opportunities. Student success and retention rates improve significantly when students reside on campus, particularly among first-time freshmen. Purposeful student programming and the relationship development that occurs through having staff living in and interacting directly with students has been proven to increase student satisfaction, involvement and retention. The construction of a new living and learning facility at the ASU West campus will support the university and ABOR goals of advancing student learning and empowering educational success.

- ACC will construct a 4-story, approximately 507-bed facility, estimated at 134,264 gross-square-feet.

- The project is targeted for first-year and second-year undergraduate students. Outdoor common areas and interior amenity spaces will be included to support

student activities and events.

- The parties will enter into a ground lease with a term of 65 years, with two ten-year renewal options. The project will begin construction in early 2023 with an anticipated opening in fall 2024.

- ASU, at its sole discretion, will have the right, in any year, to master sublease all beds within the project through execution of a separate Master Sublease Agreement. ASU annually will evaluate programmatic needs when deciding whether to master sublease. When master subleasing, ASU determines all rates charged to students and groups and retains all revenues from the project.

- ACC is responsible for all costs and expenses of operating and maintaining the student housing facility, with the exception of certain residence life services and technology services, which will be provided by ASU. Minimum standards of operation (both maintenance and staffing) will be comparable to similar ASU-owned and operated student housing.

- ASU will provide appropriate residential life programming and staffing for the new facility at a level consistent with other comparable on-campus housing. ACC will employ a general manager and maintenance staff for the facility. ACC and ASU will establish a Joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, staffing plan and any proposed changes in programs, policies and procedures. ACC retains ultimate control of those decisions that result in a material economic consequence to ACC, provided that minimum standards of operation have been satisfied.

- Upon approval of this item, the following are each separately authorized in the name and on behalf of the Board to take all appropriate actions to finalize negotiations and to sign and deliver all documents and agreements necessary to consummate the transaction described in this Executive Summary on substantially the terms described herein: the ASU President, ASU Executive Vice President, Treasurer and Chief Financial Officer, and the ASU Vice President for Real Estate Development, or any successor titles to such positions, each separately, to take all appropriate actions to enter into any and all necessary documents to ground lease and develop the subject Parcel and annually lease the Parcel, on substantially the terms described in this Executive Summary.

Fiscal Impact

- The anticipated cost to construct the new facility will be approximately $54 million. This capital will be provided by ACC.

- If occupancy does not reach a designated level each semester (97% for the fall semester and 92% for the spring semester), ASU is required to sublease the amount of beds necessary to reach that level each semester (the Occupancy Requirement). However, this Occupancy Requirement will be terminated when the project has maintained an average occupancy rate of 94.5% for 5 out of 7 consecutive years ("Termination Hurdle"), so long as occupancy does not drop below 90%. An academic year in which ASU chooses to Master sublease the entire project is counted as having met the Occupancy Requirement and the year is applicable towards the calculation of the Termination Hurdle. Additionally, the Occupancy Requirement will be incorporated into the existing Casa De Oro ground lease via an amendment.

- The University will receive ground lease payments if the project meets performance benchmarks in the pro forma negotiated with ACC.

- Any annual master sublease of the project would be funded from University Housing revenues.

- ASU has determined that, given its projected debt capacity, the priority of academic and research facility needs, and the existence of a private sector capability to develop student housing, it can best meet the housing needs of ASU West campus through a public/private partnership.

- Arizona State University requests that the full board authorize the referenced university officers to enter into any and all documents necessary to ground lease and develop the Parcel, on substantially the terms described in this Executive Summary, including entering into annual lease agreements in excess of $1,000,000.

Statutory/Policy Requirements

- ABOR Policy 7-102(A) requires committee review and board approval of all Major Capital Projects. Major Capital Projects are those capital projects with a total project cost of $10,000,000 or greater, including New Construction, Renovation, Infrastructure, Information Technology or Third-Party Projects.

- ABOR Policy 7-102(A)(3) requires approval of major capital projects where the board and the university share with other entities (e.g., federal, state, local, development groups, public/private ventures, etc.) the control, financing, or

ownership (current or future) of the project and/or its delivery process and that are for university use and are subject to review under ABOR Policy 7-207(A)(1).

- ABOR Policy 7-207(A) requires that all lease agreements and amendments of lease agreements of real property, including lease agreements in connection with any development of capital projects, as defined in ABOR Policy 7-102(A)(3), shall be reviewed by the Finance, Capital and Resources Committee and approved by the board before becoming effective.

- ABOR Policy 7-207(A) requires Committee review and Board approval of leases with a university as a landlord in which the total annual base lease amount exceeds $1,000,000.

EXHIBIT "A"

LOCATION AND SITE MAP

EXECUTIVE SUMMARY

Item Name: **Cost Study Report**

☒ Action Item

Requested Action: The board office asks the board to review and approve the Cost Study Report, due to the governor and legislature by December 15, 2022, as required by A.R.S.§15-1650.03(A).

Background/History of Previous Board Action

- Arizona Revised Statutes requires the Arizona Board of Regents (ABOR) to complete a cost study every five years, by December 15th. ABOR completed the first Cost Study in 2017.

- The legislation outlines the following elements to be in the report:

    1. The use of instructional fees at each university, including differentiating between mandatory fees, program fees and course fees.
    2. Differentiated costs between programs of study, including differential tuition and program and course fees.
    3. The costs of faculty and administration differentiated between the amount of time needed to instruct students and to conduct research.
    4. A breakdown of where tuition dollars are allocated, including the amount that is not directly attributable to instructional costs.
    5. An analysis of the marginal cost and the average cost of a student depending on the type of program in which the student is enrolled, including online programs.

Requested Action

The board office asks the board to approve the Cost Study Report, as presented in this executive summary.

Statutory/Policy Requirements

A.R.S. § 15-1650.03(A) Arizona Board of Regents Cost Study

Contact Information:

Matthew Smith, ASU	matthewjsmith@asu.edu	480-965-6940
Megan Cunningham, NAU	megan.cunningham@nau.edu	928-523-5329
Garth Perry, UArizona	perryg@arizona.edu	520-621-3324
Gale Tebeau, ABOR	gale@azregents.edu	602-229-2522

This page intentionally left blank

COST STUDY REPORT

DECEMBER 2022

ARIZONA BOARD OF REGENTS

ASU ◆ NAU ◆ UA

ABOUT THIS REPORT

Arizona Revised Statutes section §15-1650.03A requires the Arizona Board of Regents (ABOR) to complete a cost study every five years by December 15. ABOR completed the first cost study in 2017. The intent of the legislation establishing the cost study is to determine the cost of educating a full-time resident undergraduate student at each university. The legislation outlines the following elements to be in the report:

1. The use of instructional fees at each university, including differentiating between mandatory fees, program fees and course fees.
2. Differentiated costs between programs of study, including differential tuition and program and course fees.
3. The costs of faculty and administration differentiated between the amount of time needed to instruct students and to conduct research.
4. A breakdown of where tuition dollars are allocated, including the amount that is not directly attributable to instructional costs.
5. An analysis of the marginal cost and the average cost of a student depending on the type of program in which the student is enrolled, including online programs.

ABOUT THE ARIZONA BOARD OF REGENTS

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.

MEMBERS

Lyndel Manson, Chair
Fred DuVal, Chair-Elect
Cecilia Mata, Secretary
Larry E. Penley, Treasurer
Gregg Brewster
Doug Goodyear
Robert Herbold
Jessica Pacheco
Rachel Kanyur, Student Regent, Assistant Treasurer
Katelyn Rees, Student Regent
Gov. Doug Ducey, Ex-Officio
Superintendent Kathy Hoffman, Ex-Officio

ABOR EXECUTIVE DIRECTOR

John Arnold

December 15, 2022

TABLE OF CONTENTS

1 EDUCATION AND GENERAL EXPENSES (E&G) PER STUDENT

4 SECTION ONE - THE USE OF INSTRUCTIONAL FEES

9 SECTION TWO - DIFFERENTIATED COSTS BETWEEN PROGRAMS OF STUDY

11 SECTION THREE - THE COSTS OF FACULTY AND ADMINISTRATION

14 SECTION FOUR - A BREAKDOWN OF WHERE TUITION DOLLARS ARE ALLOCATED

18 SECTION FIVE - AN ANALYSIS OF THE MARGINAL COST AND THE AVERAGE COST

20 APPENDIX

APPROACH

For the 2017 cost study, ABOR contracted with Grant Thornton, a national accounting firm to review and validate the process and data reported by each university. The independent review consisted of direct and indirect validation of the process applied and data reported by each university. For this report, ABOR uses the same approach taken in 2017.

Arizona's public universities produce and publish substantial amounts of cost information. To establish a cost per resident student, ABOR uses data that is:

- Based on audited data;
- Consistent across the three public universities;
- Based on clear cost definitions;
- Comparable across time; and
- Comparable with other universities.

As reflected in the 2017 report, this report uses a standard nomenclature for financial accounting and budgeting developed by the National Association of College and University Business Officers (NACUBO): Educational and General Expense (E&G). E&G expenses focus on academic costs and excludes auxiliary (self-supporting enterprises, e.g., residence and dining halls, bookstore, parking, etc.), research, new construction capital costs, plant funds, agency funds and endowments.

E&G expense categories are included in the data collection by the Integrated Postsecondary Education Data System (IPEDS), which is the core postsecondary data collection program for the National Center for Education Statistics (NCES). Using E&G expense as the primary basis for assessing cost per student is consistent across higher education – many institutions utilize E&G expense as the primary measure for assessing costs.

E&G expenses are grouped by the following functional categories:

- Instruction
- Academic support
- Student services
- Institutional support
- Public service
- Scholarships and fellowships (excluding scholarship allowances)
- Operation and maintenance of plant and depreciation

COST OF EDUCATING A STUDENT

The statute calls for the board to determine the cost of educating a full-time resident undergraduate student at each of the public universities. In actuality, there is no distinction between the cost of educating a resident undergraduate student versus a nonresident undergraduate student. In addition, university expenditures are shared between undergraduate and graduate class levels. While this study excludes the most expensive graduate programs (University of Arizona Colleges of Medicine and Veterinary Medicine), the rest of graduate education is included when estimating average cost. Attempting to separate out graduate program costs would be arbitrary.

UNIVERSITY OPERATING EXPENDITURES BY FUNCTION				
	ASU	NAU	UARIZONA (w/o COM, CVM, AG EXT)	TOTAL
Instruction	$1,053,721,000	$148,211,500	$421,866,000	$1,623,798,500
Public Service	$100,908,000	$24,734,900	$55,191,000	$180,833,900
Academic Support	$392,787,000	$38,880,400	$108,731,000	$540,398,400
Student Services	$159,384,000	$56,192,000	$89,099,000	$304,675,000
Institutional Support	$201,507,000	$71,831,000	$138,976,000	$412,314,000
Scholarship/Fellowship	$300,202,000	$53,646,200	$362,588,000	$716,436,200
Operation and Maintenance of Plant	$105,823,000	$22,648,400	$66,075,000	$194,546,400
Depreciation	$152,440,000	$42,054,500	$53,536,800	$248,031,300
Total	$2,466,772,000	$458,198,900	$1,296,062,800	$4,221,033,700

In addition to excluding the most expensive graduate programs, adjustments to E&G are made to exclude costs that have limited instruction such as public radio/television, The Arizona State Museum and the University of Arizona Cooperative Extension. Also excluded are expenses associated with COVID relief for community-based outreach efforts such as increasing vaccinations and sponsoring vaccination clinics, and overhead and administrative costs related to research, auxiliaries and excluded public service.

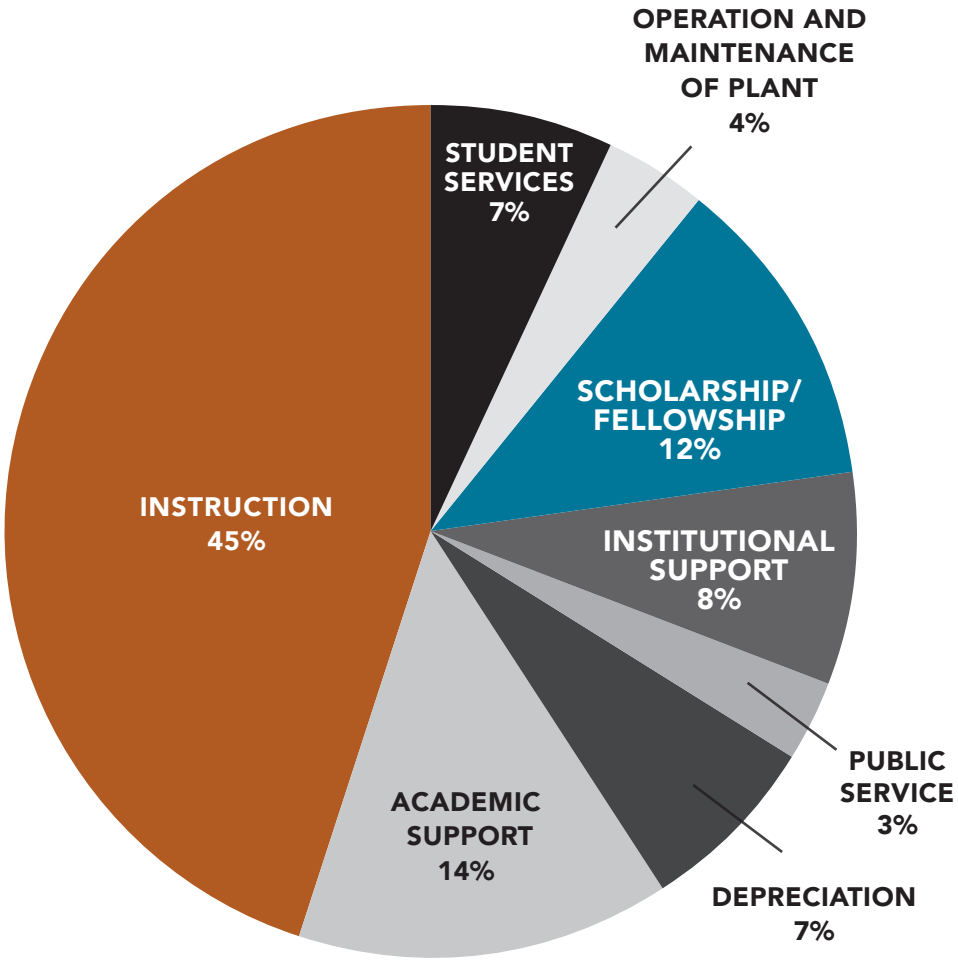
CALCULATION OF COST PER STUDENT

The cost per student is calculated by using the adjusted E&G expense divided by full-time equivalent (FTE) student. Student FTE is based on the universities' fall semester 21st day student census. Based on this methodology, the average cost per student for fiscal year 2021 is $18,855.

COST PER STUDENT				
	ASU	NAU	UARIZONA	TOTAL
Adjusted Education & General Expenses	$2,338,685,000	$410,357,750	$808,508,700	$3,557,551,450
Student FTE	117,005	28,078	43,597	188,680
Cost per Student	$19,988	$14,616	$18,545	$18,855

COST PER FTE BY FUNCTION				
	ASU	NAU	UARIZONA (w/o COM, CVM, AG EXT)	TOTAL
Instruction	$9,006	$5,279	$9,142	$8,483
Academic Support	$3,357	$1,385	$1,979	$2,599
Student Services	$1,362	$2,001	$1,262	$1,342
Public Service	$425	$404	$549	$686
Institutional Support	$1,291	$1,913	$1,639	$1,464
Scholarship/Fellowship	$2,566	$1,911	$1,961	$2,328
Operation and Maintenance of Plant	$678	$603	$794	$694
Depreciation	$1,303	$1,120	$1,228	$1,258
Total	$19,888	$14,616	$18,545	$18,855

COST PER FTE BY FUNCTION



System wide, in real dollars, Arizona public universities are spending at about the same level today than they spent in fiscal year 2016.

	FY 2016	FY 2021
ASU	$20,088	$19,988
NAU	$14,293	$14,615
UARIZONA	$18,548	$18,545

1. THE USE OF INSTRUCTIONAL FEES AT EACH UNIVERSITY, INCLUDING DIFFERENTIATING BETWEEN MANDATORY FEES, PROGRAM FEES AND COURSE FEES

Arizona Revised Statutes §15-1626 authorizes ABOR to set tuition and fees. Board policy allows for the establishment of mandatory, program, college and course fees as well as differentiated tuition in an effort to allocate the higher costs associated with various programs, classes and services to specific users. Some fees are the result of student government proposals to supply funding for specific projects initiated by students.

ABOR policy divides fees into two broad categories - mandatory fees and academic fees:

NUMBER OF UNIVERSITY FEES				
	ASU	NAU	UARIZONA	TOTAL
Mandatory Fees	5	8	6	19
College/Program/Differential Tuition	10	55	70	135
Course Fees	508	682	427	1,617
Total	523	745	503	1,771

MANDATORY FEES

- Mandatory fees are charged to students for a specific purpose, activity or service. Mandatory fees can be university-wide or differentiated by campus location, delivery method, enrollment level or other criteria approved by the board. Examples of mandatory fees include the Arizona Financial Aid Trust fee, technology fees, health services fees, facility fees and recreation fees.

ACADEMIC FEES

- Fees in this category include differentiated tuition, college fees, program fees, and class or course fees:
    - Differential tuition is tuition that is higher or lower than the published tuition for each university campus or location and applies to all graduate or undergraduate academic programs in a college or school. Examples of differential tuition are freshman and sophomore students in the Polytechnic School and New College at Arizona State University or University of Arizona's College of Nursing.
    - College fees are charged to all undergraduate or graduate students in a college, school or division. The college fee is intended to reflect any added charges for specific programs that have demonstrably higher instructional costs. An example of a college fee at each university is the undergraduate Honor's College fee.

- Program fees are for certain programs within a college with differentiated costs. Most program fees are applied to graduate level programs; however, some undergraduate program fee examples include certain programs within the College of Agriculture and Life Sciences at UArizona, Criminology and Criminal Justice (online) at ASU, and Human Services at NAU.

- Class/course fees: Class or course fees are charged at the individual class level. Fees charged must be used for expenses directly related to the class. Course fees allow the universities to cover expenses that are necessary for successful completion of the class objectives. They cannot be used for general expenses.

    - In fiscal year 2021, the universities had 26,596 approved courses in their course bank with 1,617 carrying an approved fee. In any given semester, a university will only offer a subset of the total approved courses. For example, of the 26,596 approved courses in 2020-21, 14,983 courses were offered in fall 2020 with 949 or about six percent having a course fee. Of the 949 course fees, 93 percent of those fees were $100 or less.

2020-21 COURSE FEES				
FY 2020-21	**ASU**	**NAU**	**UARIZONA**	**TOTAL**
Courses in Bank	12,266	5,939	8,391	26,596
Number of Courses with Approved Fees	508	682	427	1,617
	4%	11%	5%	6%

FALL 2020 COURSE WITH FEES				
Fall 2020 Courses Offered	6,274	2,492	6,217	14,983
Fall 2020 Courses with Fees	311	330	308	949
Percent of Courses with Fees	5%	13%	5%	6%
Fall 2020 Course Fees Less than $100	303	300	276	879
Percent of Fall 2020 Courses with Fees Less than $100	97%	91%	90%	93%

FEE REVENUE

- Academic fees and mandatory fees constitute a small proportion of gross tuition and fee revenue, representing approximately eight percent for academic fees, and four percent for mandatory fees.

FEE REFORM

- Reflecting the board's commitment, to provide greater accessibility and affordability, the board continues to implement fee reforms to improve transparency, simplicity and predictability within the fee-setting process. This includes outlining the purpose and expected benefits to students from fees; strengthening process of student input on academic fees, and the context for the proposed fee in relation to other fees or charges that may be part of a program or other classes.

- The most recent actions by ABOR include:
    - In 2020, the board implementated a plan to review all existing academic fees as part of a sunset process where the board reviews and approves all academic fees at least once every 10 years.
    - In 2022, in its ongoing efforts to provide more stability with regards to tuition, the board approved revamping the entire tuition and fee process, including establishing a multiple-year tuition process and eliminating all course fees to provide more predictability in tuition amounts for students and families. The universities have started these efforts and as of fiscal year 2022 the number of course fees declined to 13 at ASU and in fiscal year 2023 NAU eliminated all undergraduate course fees.

DOLLARS IN 1000'S	ASU	NAU	UARIZONA	TOTAL
Gross Tuition and Fee Revenue	$2,134,308	$379,351	$921,637	$3,435,296
Academic Fees				
Differential Tuition, College Fee, Program Fee	$229,125	$11,479	$32,730	$273,333
Course Fees	$1,035	$3,251	$6,979	$11,265
Total Academic Fees	$230,160	$14,730	$39,709	$284,598
Academic Fees as % of Gross T&F Revenue	11%	4%	4%	8%
Mandatory Fees				
Total Mandatory Fees	$44,518	$28,502	$50,683	$123,703
Mandatory Fee as % of Gross T&F Revenue	2%	8%	5%	4%
Total Academic & Mandatory Fee Revenue	$274,678	$43,232	$90,391	$408,301
Total Fee Revenue as % of Gross Tuition & Fees	13%	11%	10%	12%

USE BY FUNCTION

	ASU	NAU	UARIZONA
Instruction	The instructional reporting category includes expenditures for all general academic instruction activities for both credit and noncredit courses. Includes remedial and tutorial instruction. The instructional expenditures occur mainly within the colleges. The College of Liberal Arts and Sciences, Fulton Schools of Engineering, and W.P. Carey School of Business account for over 60 percent of instructional expenditures of the combined colleges.	These expenditures include departments or activities related to instruction in NAU's College of Arts and Letters, W.A. Franke College of Business, College of Engineering, Forestry and Natural Sciences, College of Education, College of Social and Behavioral Sciences, and the College of Health and Human Services. The expenditures in the College of Engineering, Forestry and Natural Sciences account for the largest proportion of the total.	These expenditures are for general academic instruction for both credit and non-credit activities. Of the total instruction expenditures, 86 percent of the expenditures occur within the colleges. The colleges of Science, Social & Behavioral Sciences and Eller College of Management account for more than 50 percent of the total instruction expenditures occurring within all colleges. Other units with instruction expenditures include Arizona Online and Distance Education and the Graduate College.
Public Service	Expenditures primarily include all activities providing non-instructional services for individuals and groups external to the institution. These activities include conferences, institutes, clinic services, consultation, advisory services and community-focused service programs. Many public service activities serve an ancillary role to the instructional mission of the institution, as they provide an opportunity for students to observe and participate in activities related to their field of study.	These expenditures include departments or activities such as NAU's teacher development, Gear Up, community focused and sponsored initiatives, and Native American Initiatives. Community-focused experiential learning Rhodes Scholar Program/Gear Up account for over half the expenditures in this program. Non-academic activities are excluded from this study.	Expenditures are primarily for activities or services provided to individuals and groups outside the institution. Of the total public service expenditures, 41 percent occurred within the colleges. Examples include conference, seminar and clinic services provided to the community. Other activities in this category include services provided to the public by Biosphere 2, museums and libraries. Non-academic activities are excluded from this study.
Academic Support	Expenditures that directly support the academic functions of the institution. Expenditures include general academic administration such as Dean's Offices, as well as support directly available to students, including academic technology and support, academic advising, libraries and museums. Over 40 percent of the expenditures occur within colleges, with academic technology and libraries comprising a majority of remaining costs.	Expenditures include departments or activities such as the NAU library, support provided from the Provost's and Deans' Offices and IT support provided directly to academic programs. These three areas comprise over half the expenditures in this program.	Expenditures are for activities and services that support instruction. Of the total, 48 percent is attributable to expenditures within the colleges and are primarily for administrative support activities of the college. Examples include the dean's office and support staff. Other activities within this category are libraries at 13 percent and RII Research Infrastructure at 8 percent.

	ASU	NAU	UARIZONA
Student Services	Expenditures include all student-related activities that support students' emotional and physical well-being and intellectual, cultural and social development outside the context of the formal instruction program, including the Dean of Students, disability resources services, peer mentoring programs, campus health, student recreation and counseling services. This category also includes admissions, registrar and career advising and placement services expenditures. Educational Outreach and Student Services accounts for a majority of the costs in this category.	Expenditures include departments or activities such as the operations in the Admissions Office, the Registrar's Office and the Office of Financial Aid as well as the student programming and services that cover areas from disability resources to peer mentoring programs. Student programming and services in the Student Affairs Department comprise the largest expenditure area in this program, accounting for approximately 25 percent of total expenditures.	Expenditures are for activities outside formal instructional programs that support student emotional and physical well-being and promote student cultural and social development. The majority of these expenditures are incurred by units outside of the colleges such as Enrollment Management, which accounts for 20 percent of the total. Student Success & Retention Innovation accounts for 15 percent of the total. Other expenditures within this category are attributable to units such as Campus Health and Wellness at 7 percent and Campus Recreation at 5 percent.
Institutional Support	Expenditures include support for general administrative costs. Administrative functions include executive management, chief academic officer, general counsel, human resources, research administration, accounting and finance, police, procurement, marketing and media relations, information technology, and risk and liability costs. These costs occur largely within administrative units.	Expenditures include departments or activities such as information technology services and administrative offices including among others the Office of the President, General Council, Comptroller, Audit, Budget, Police and Parking. IT services is the single largest expenditure area in this program, accounting for approximately 25 percent of total expenditures.	Expenditures are for the day-to-day operational support of the institution. Included in this category are expenditures for general administrative services such as University Information Technology Services, which represents 22 percent of the total. Other institutional administrative support functions include Academic Affairs; Executive Office of the President; Legal/ General Counsel; Human Resources; Financial Services—Accounting, Payroll, Procurement; Office of Budget and Planning; Research Administration; and Health Sciences Administration. Examples of the types of institutional expenditures include risk and liability insurance, police and safety, regulatory compliance, facilities leases, banking services, and information technology contracts and services.

2. DIFFERENTIATED COSTS BETWEEN PROGRAMS OF STUDY, INCLUDING DIFFERENTIAL TUITION AND PROGRAM AND COURSE FEES

Academic structures at Arizona's public universities are complex. Major categories are colleges, institutes, departments and degrees. However, most of the budgeting and cost allocations are organized at the college level. Therefore, for purposes of this cost study, the term "program" is defined at the college level.

The cost per program uses a similar cost-per-FTE method to determine the cost per program, but instead of using functional categories, the program costs are determined by natural classification (or direct costs) with adjustments for overhead and central administration. These adjustments are allocated to each college based on student credit hour. There are 38 defined colleges with 16 at ASU, 7 at NAU and 15 at UArizona (excluding Colleges of Medicine and Veterinary Medicine). When comparing per FTE costs at the college level, the size of the student body associated with a particular college has a skewing effect on the outcomes. For instance, when a new college is set up, there may be start-up costs and fewer students. As the college grows and start-up costs phase out, the cost of the college will normalize.

The tables below list each college with its corresponding enrollment and cost per FTE.

ASU COST PER COLLEGE

COLLEGE	FTE	COST PER FTE
Integrative Sciences and Arts	8,738	$16,722
New College	7,324	$17,165
Public Service & Community Solutions	6,713	$18,584
Liberal Arts and Sciences	39,262	$19,080
Design and the Arts	6,929	$19,227
Journalism	1,798	$19,428
Health Solutions	4,582	$19,969
Teachers College	5,910	$20,383
Engineering	15,354	$20,545
Business	12,420	$20,703
Nursing and Health Innovation	2,935	$21,258
Global Futures	1,357	$29,996
Barrett Honors College	605	$34,142
University College	391	$34,256
Law	1,895	$36,944
Global Management	792	$41,822

NAU COST PER COLLEGE

COLLEGE	FTE	COST PER FTE
Social & Behavioral Sciences	6,883	$13,789
Forestry, Environment, and Natural Sciences	6,134	$13,912
Education	3,209	$14,060
Arts and Letters	3,898	$15,029
Business	2,729	$15,112
Health & Human Services	3,613	$15,946
Engineering, Informatics, and Applied Sciences	1,611	$17,093

UARIZONA COST PER COLLEGE

COLLEGE	FTE	COST PER FTE
Optical Sciences	366	$11,811
Engineering	3,833	$13,528
Pharmacy	1,408	$13,871
Management	7,129	$14,224
Agriculture and Life Sciences	3,733	$15,648
Architecture Planning & Landscape Architecture	836	$16,169
Nursing	1,714	$16,901
Science	8,972	$18,231
Social & Behavioral Sciences	7,409	$19,203
Applied Science & Technology	900	$19,345
Public Health	1,365	$19,528
Fine Arts	1,823	$20,430
Education	1,789	$22,297
Law	907	$30,249
Humanities	1,414	$50,484

3. THE COSTS OF FACULTY AND ADMINISTRATION DIFFERENTIATED BETWEEN THE AMOUNT OF TIME NEEDED TO INSTRUCT STUDENTS AND TO CONDUCT RESEARCH

Faculty affect the quality of education and are instrumental in achieving the outcomes of ABOR's and the universities' strategic plans. Work expectations for faculty include a variety of activities. They establish curriculum content, set student performance standards, and provide classroom and personal instruction. Faculty members also perform research and through their public service activities make valuable contributions to the community. Costs related to faculty public service and research are generally excluded from this study.

Universities traditionally divide university faculty teaching activities into three distinct areas – organized class sections, thesis/dissertation classes, and individual studies. For organized class sections, class credit hours are typically used as a reasonable proxy for hours of classroom instruction; therefore, a three-credit-hour course is assumed to be three hours of teaching per week. However, a faculty member's time in the classroom represents only a portion of the responsibilities for effectively teaching a course. In addition to direct contact hours there are a variety of other instructional activities related to classroom instruction such as curriculum development, class preparation, grading papers, tests or other assignments, academic advising, answering students' questions outside class, and developing/updating class instructional objectives.

Below is the work-time distribution of faculty of the three universities which generally align with data from the most recent report from the National Center for Education Statistics (Digest of Education Statistics 2019[1]), for public research universities.

	ASU	NAU	UARIZONA
Teaching	40%	50%	40%
Research & Scholarship	40%	30%	40%
Other Activities - Administrative Duties, Personal Growth/Professional Development, Service	20%	20%	20%

Board policy names six broad categories of faculty rankings. Faculty are employees whose Notice of Appointment is Professor (Tenured/Tenure Track), Associate Professor (T/TT), Assistant Professor (T, TT), Lecturer (senior and principal), Instructor, and faculty without a rank.

[1] Digest of Education Statistics 2019 (Table 315.30). National Center for Education Statistics https://nces.ed.gov/programs/digest/d19/tables/dt19_315.30.asp

Below is a breakdown of each university's FTE faculty by rank:

FACULTY TYPE	ASU	NAU	UARIZONA	TOTAL
Professor	994	282	866	2,142
Associate Professor	824	217	682	1,723
Assistant Professor	791	272	537	1,600
Lecturers	419	220	229	868
Instructors	580	7	124	711
Faculty-No Rank	377	481	198	1,056
Total	3,985	1,479	2,637	8,101

The following is a general definition and explanation of work expectations for different faculty types:

- **Professor (Full, Associate, and Assistant):** Professors are categorized by three ranks: full, associate and assistant. All levels of professors serve in one or more of the three principal university functions - instruction, research and public service. Further, professors will be appointed into a tenured or tenure-eligible position; or on a fixed-term basis, to a practicing, research or clinical position. Specific duties and work expectations may vary between instruction, research and public service depending on the type of appointment and the specific expertise of the professor and the needs of the university.

- **Lecturers:** Lecturers are appointed on a fixed-term basis, primarily to provide student instruction. They may also hold teaching service responsibilities, including supervision of supplemental student learning, professional development and/or administrative duties related to teaching.

- **Instructors:** Instructors are appointed on an annual, fixed-term basis and generally focus on student instruction. They may have limited service and/or professional development responsibilities.

- **No-rank:** Faculty without a rank include faculty appointed on a fixed term basis who do not carry one of the five ranks noted above. Generally, they are appointed to provide student instruction or research support.

Depending on the role assigned, faculty may also include the president, provost, vice provosts, deans, directors, associate deans, assistant deans and executive officers of academic departments (chairpersons, heads or the equivalent) if their principal activity is instruction combined with research and/or public service.

Below are faculty salary expenses for FY 2021[2].

$ in Thousands	ASU	NAU	UARIZONA	TOTAL
Faculty Salary Expense	$525,837	$76,652	$327,280	$929,769
Faculty Salaries as % total university salaries	47%	38%	39%	43%

[2] Arizona Board of Regents. (2021). Annual Cost Containment Report. https://www.azregents.edu/sites/default/files/reports/cost-containment-2021.pdf

ADMINISTRATIVE COSTS

For this study, administrative costs or overhead is defined as actual Operation and Maintenance and Institutional Support expenditures.

Beginning in the 2016-17 collection year, NACUBO and IPEDS no longer report O&M and depreciation as separate functional expense categories. These two functional categories now are distributed among instruction, public service, academic support, student services, institutional support, and research. In order to maintain consistency across institutions, NACUBO provides methods for allocating O&M and depreciation among these other functions. Some of NACUBO common recommended methodologies include:

- Direct assignment based on functional category of space
- Assignable square footage
- Salaries (and wages), or salaries (and wages) plus benefits
- Total expenses by function
- Combination of the above

For this report overhead costs are distributed to the various areas based on total expenditures in that functional category.

ALLOCATION OF OVERHEAD

	ASU	NAU	UA
Academic	75%	75%	61%
Research	17%	11%	30%
Auxiliary	8%	14%	9%
Total	100%	100%	100%

4. A BREAKDOWN OF WHERE TUITION DOLLARS ARE ALLOCATED, INCLUDING THE AMOUNT THAT IS NOT DIRECTLY ATTRIBUTABLE TO INSTRUCTIONAL COSTS

As part of the annual state budget submittal to the governor and Legislature, the universities track and report revenues and expenditures for various funds, including tuition and fees. State budget guidelines require the universities to separate tuition and fee revenues into two funding types - appropriated tuition and fees (collections fund), which are funds allocated by the Legislature to support the state budget and non-appropriated tuition and fees retained by each university to support local budgets.

Below are tuition and fee operating expenditures for fiscal year 2021:

ASU

FY 2021 USES OF TUITION AND FEES			
	Appropriated	**Non-Appropriated**	**Total**
Instruction	290,915.7	485,831.6	776,747.3
Organized Research	13,376.2	268.9	13,645.1
Public Service	3,012.7	-132.8	2,879.9
Academic Support	103,246.4	131,306.0	234,552.4
Student Services	48,105.8	586,797.2	634,903.0
Institutional Support	144,455.2	262,089.4	406,544.6
Total	**603,112.0**	**1,466,160.3**	**2,069,272.3**
Expenditure Categories	**Appropriated**	**Non-Appropriated**	**Total**
Personal Services	387,120.3	277,133.3	664,253.6
Employee Related Expenses	110,490.3	90,177.0	200,667.3
Prof. and Outside Services	43,482.1	282,924.0	326,406.1
Travel - In State	12.0	33.1	45.1
Travel - Out of State	70.1	2,551.9	2,622.0
Food	11,401.2	556.3	11,957.5
Aid to Organizations and Individuals	0.0	531,792.0	531,792.0
Other Operating Expenses	48,463.9	148,469.9	196,933.8
Equipment	2,072.1	6,023.5	8,095.6
Capital Outlay	0.0	0.0	0.0
Debt Service	0.0	0.0	0.0
Cost Allocation	0.0	0.0	0.0
Transfers		126,499.3	126,499.3
Total	**603,112.0**	**1,466,160.3**	**2,069,272.3**

NAU

FY 2021 USES OF TUITION AND FEES			
	Appropriated	**Non-Appropriated**	**Total**
Instruction	33,247.1	36,243.9	69,491.0
Organized Research	7,027.9	0.0	7,027.9
Public Service	2,270.8	26.6	2,297.4
Academic Support	27,133.7	-168.4	26,965.3
Student Services	10,790.2	87,572.4	98,362.6
Institutional Support	58,451.6	576.0	59,027.6
Total	**138,921.3**	**124,250.5**	**263,171.8**
Expenditure Categories	**Appropriated**	**Non-Appropriated**	**Total**
Personal Services	81,374.4	12,990.5	94,364.9
Employee Related Expenses	27,817.4	3,183.8	31,001.2
Prof. And Outside Services	7,814.3	8,137.9	15,952.2
Travel - In State	24.1	54.8	78.9
Travel - Out of State	5.8	0.0	5.8
Food	0.0	0.0	0.0
Aid to Organizations and Individuals	1,667.4	0.0	1,667.4
Other Operating Expenses	20,115.9	7,627.6	27,743.5
Equipment	102.0	179.5	281.5
Capital Outlay	0.0	0.0	0.0
Debt Service	0.0	0.0	0.0
Cost Allocation	0.0	0.0	0.0
Transfers	0.0	92,076.4	92,076.4
Total	**138,921.3**	**124,250.5**	**263,171.8**

UARIZONA

FY 2021 USES OF TUITION AND FEES			
	Appropriated	**Non-Appropriated**	**Total**
Instruction	111,416.8	66,743.5	178,160.3
Organized Research	30,683.6	-5.5	30,678.1
Public Service	2,438.2	30.3	2,468.5
Academic Support	68,721.6	47,153.4	115,875.0
Student Services	4,686.3	47,193.1	51,879.4
Institutional Support	136,240.5	264,515.3	400,755.8
Agriculture	12,526.2	3,742.1	16,268.3
U of A South	1,584.2	8,427.3	10,011.5
Total	**368,297.4**	**437,799.5**	**806,096.9**
Expenditure Categories	**Appropriated**	**Non-Appropriated**	**Total**
Personal Services	223,721.9	88,307.9	312,029.8
Employee Related Expenses	73,054.9	46,257.7	119,312.6
Prof. And Outside Services	9,542.3	12,591.2	22,133.5
Travel - In State	17.4	28.3	45.7
Travel - Out of State	38.0	6.6	44.6
Food	7,372.8	8,037.2	15,410.0
Aid to Organizations and Individuals		0.0	0.0
Other Operating Expenses	45,666.2	277,959.8	323,626.0
Equipment	1,988.0	434.3	2,422.3
Capital Outlay	6,895.9	5.6	6,901.5
Debt Service			0.0
Cost Allocation			0.0
Transfers		4,170.9	4,170.9
Total	**368,297.4**	**437,799.5**	**806,096.9**

Note: This schedule includes Cooperative Extension and College of Veterinary Medicine which have been excluded elsewhere in this report, as these expenses are not differentiated in the legislative budget.

UARIZONA HEALTH SCIENCES CENTER

FY 2021 USES OF TUITION AND FEES			
	Appropriated	**Non-Appropriated**	**Total**
Instruction	2,263.4	26,448.5	28,711.9
Organized Research	4,102.1	0.0	4,102.1
Public Service	499.5	0.6	500.1
Academic Support	18,080.7	44.9	18,125.6
Student Services	2,695.3	-80.7	2,614.6
Institutional Support	5,059.2	0.0	5,059.2
College of Medicine	4,073.5	211.5	4,285.0
Total	**36,773.7**	**26,624.8**	**63,398.5**
Expenditure Categories	**Appropriated**	**Non-Appropriated**	**Total**
Personal Services	22,103.9	16,666.0	38,769.9
Employee Related Expenses	6,829.9	5,051.8	11,881.7
Prof. And Outside Services	4,204.9	1,089.2	5,294.1
Travel - In State	2.1	5.8	7.9
Travel - Out of State	0.5	2.0	2.5
Food	0.0	0.0	0.0
Aid to Organizations and Individuals	0.0	0.0	0.0
Other Operating Expenses	2,017.5	5,663.3	7,680.8
Equipment	14.9	76.6	91.5
Capital Outlay	1,600.0	0.0	1,600.0
Debt Service		0.0	0.0
Cost Allocation		0.0	0.0
Transfers		-1,929.9	-1,929.9
Total	**36,773.7**	**26,624.8**	**63,398.5**

Note: This schedule includes College of Medicine expenditures which have been excluded elsewhere in this report, as these expenses are not differentiated from other health-related programs within the Health Sciences Center in the legislative budget.

5. AN ANALYSIS OF THE MARGINAL COST AND THE AVERAGE COST OF A STUDENT DEPENDING ON THE TYPE OF PROGRAM IN WHICH THE STUDENT IS ENROLLED, INCLUDING ONLINE PROGRAMS

MARGINAL COSTS

Marginal costs are difficult to calculate. The costs of adding one more student may have a marginal cost of zero; however, as additional students are added, the marginal costs can grow until eventually, marginal cost equals the average per FTE cost. Attempting to decide the point at which marginal costs equal average costs would require defining costs as variable or fixed. Certain costs such as plant, utility and administrative costs are assumed to be fixed for a number of new students, while other costs such as advising or instruction would be variable. As students are added, more and more costs move from fixed to variable until ultimately all costs become variable. For these reasons it makes more sense to calculate average costs across programs as shown earlier in this report.

ONLINE COSTS

Online education is not an isolated activity at the university, but an integrated educational delivery system embedded in each college. Often the same professors who are teaching on-campus classes are developing and delivering the online content. Further, the majority of on campus students take at least some of their programing in an online format. Because of this integrated approach to online content delivery between online programs and on-campus programs, there are many shared costs. The cost of online education is also determined by the different approaches and technologies that impact cost. One course may stream videos of lectures while another may have more student participation and interaction.

There is an expectation that online courses will be cheaper to offer than traditional face-to-face because of the expanded class size made possible, and the reduced labor costs as a result, but there are costs of online courses not shared with face-to-face instruction, such as technology required to administer these courses. Some costs may go down in online courses, while others go up to offset any purported savings.

For purposes of this study, online costs include both direct and indirect costs. Direct costs include the enrollment center, third-party payments or hosting, data management, web design, course development, marketing, academic support and indirect costs, including allocation for central staff supporting online admissions, financial aid, student, billing and information technology. As with the system calculation of E&G, there is no distinction between the cost of educating a resident undergraduate online student versus a nonresident undergraduate online student.

Using direct and indirect costs, the calculated Education and General Expense (E&G) for online is:

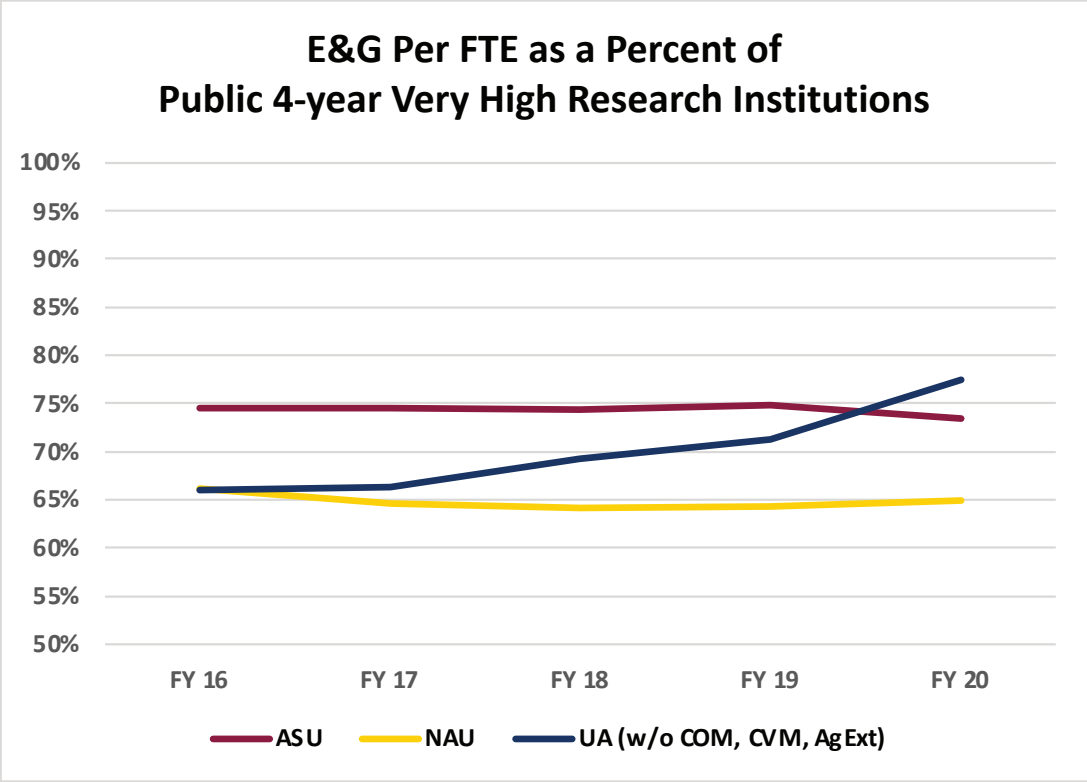
ONLINE E&G PER STUDENT - FY 2021				
Expense Category	ASU	NAU	UARIZONA	TOTAL
Institutional Financial Aid (tuition funded)	$100,810,288	$3,300,000	$5,125,000	$109,235,288
Student Instructional Costs	$119,383,519	$26,000,000	$52,091,500	$197,475,019
Direct Operations	$307,389,325	$10,700,000	$23,972,000	$342,061,325
Indirect Operations	$25,879,070	$6,000,000	$1,836,300	$33,715,370
Total Expenses ($1000's)	$553,462,201	$46,000,000	$83,024,800	$682,487,001
Online FTE	36,924	3,548	4,224	44,695
Online E&G per Student	$14,989	$12,965	$19,656	$15,270
University E&G	$19,988	$14,616	$18,545	$18,855
Online E&G per Student	$14,989	$12,965	$19,656	$15,270
Online as % of total E&G	75%	89%	106%	81%

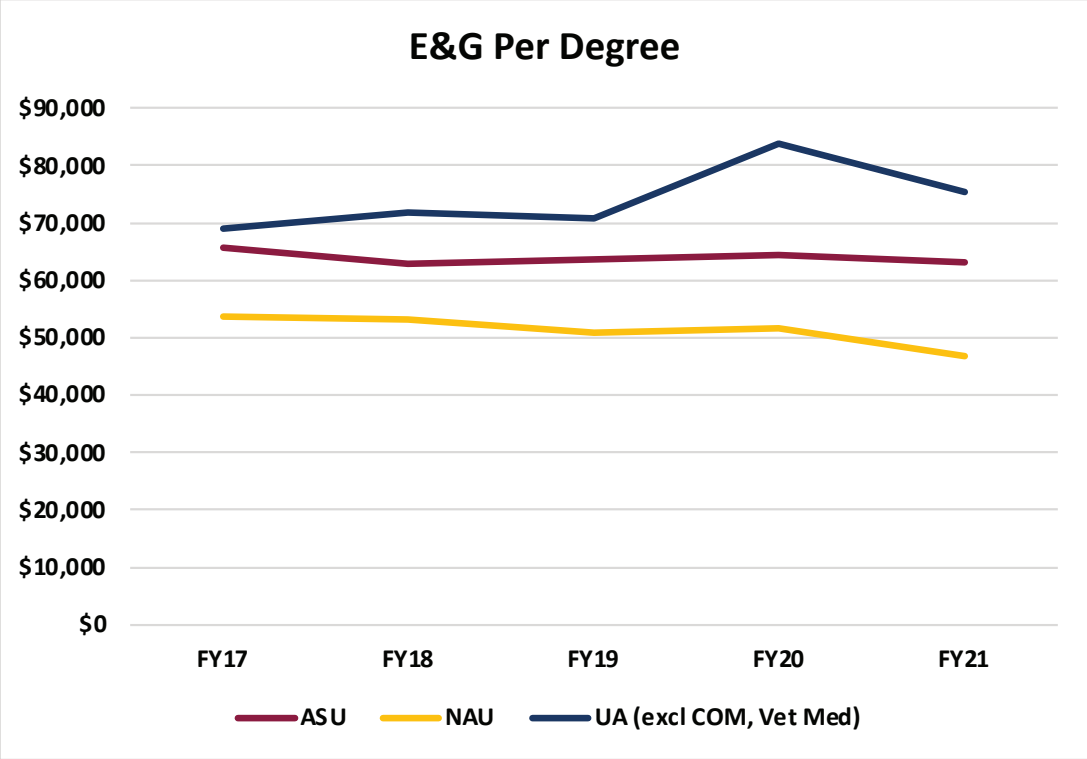
Compared to the system E&G, online E&G is approximately 81 percent. In other words, online costs are about 20 percent less than overall costs per student.

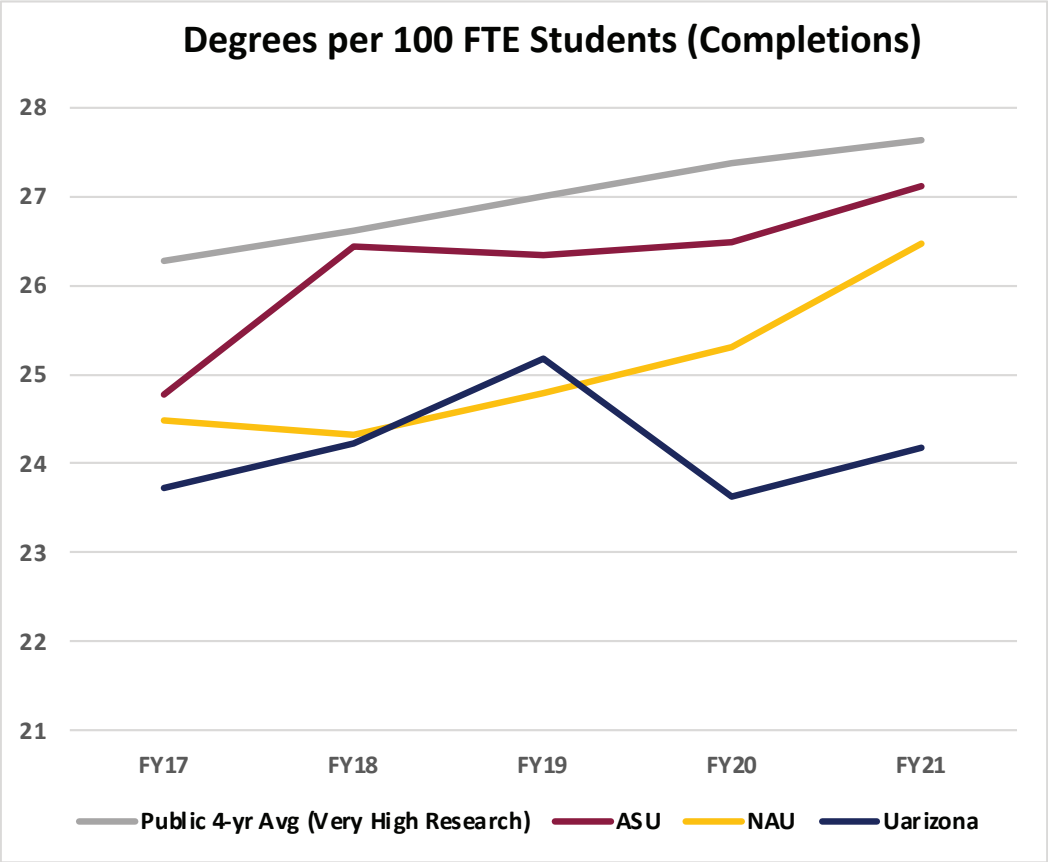
For fall 2020, 44,695 of 190,601 FTE students or about 23 percent were strictly online students. For resident students, 10,614 or 10 percent of all resident students were online students.

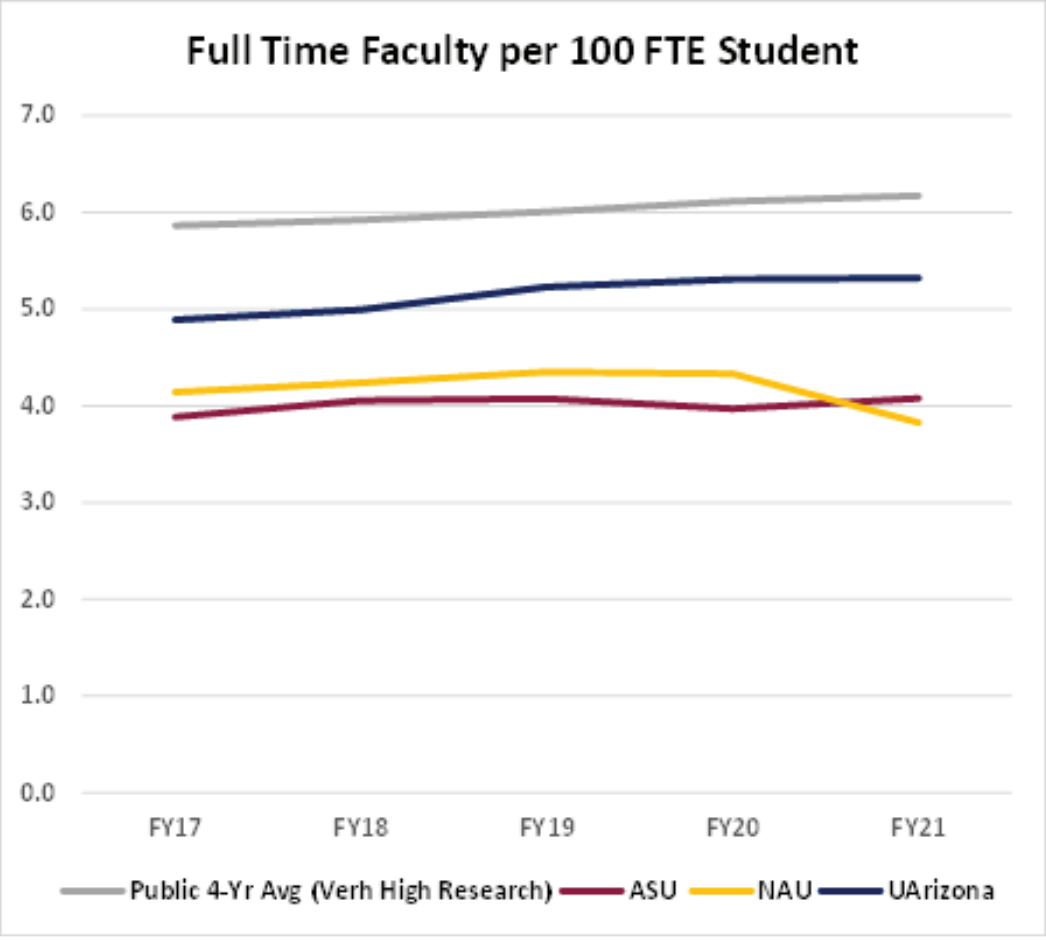
ONLINE ENROLLMENT				
Student FTE Fall 2020	ASU	NAU	UARIZONA	TOTAL
Resident - Immersion	52,634	16,390	26,741	95,765
Resident Online	7,200	2,175	1,239	10,614
Total Resident	59,834	18,565	27,980	106,379
% of Res Online	12%	12%	4%	10%
Nonresident - Immersion	27,449	8,140	14,552	50,141
Nonresident Online	29,724	1,373	2,985	34,082
Total Nonresident	57,172	9,513	17,537	84,222
% of NR Online	52%	14%	17%	40%
Total FTE Enrollment	117,006	28,078	45,517	190,601
Total Online	36,924	3,548	4,224	44,695
% of Online	32%	13%	9%	23%

APPENDIX


E&G Per FTE as a Percent of
Public 4-year Very High Research Institutions
100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
FY 16
FY 17
FY 18
FY 19
FY 20
ASU
NAU
UA (w/o COM, CVM, AgExt)


E&G Per Degree
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
FY17
FY18
FY19
FY20
FY21
ASU
NAU
UA (excl COM, Vet Med)


Degrees per 100 FTE Students (Completions)
28
27
26
25
24
23
22
21
FY17
FY18
FY19
FY20
FY21
Public 4-yr Avg (Very High Research)
ASU
NAU
Uarizona


Full Time Faculty per 100 FTE Student
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
FY17
FY18
FY19
FY20
FY21
Public 4-Yr Avg (Verh High Research)
ASU
NAU
UArizona

FUNCTIONAL EXPENSE CATEGORIES:

Instruction: This category includes all activities that are part of an institution's instructional program. Expenditures include all general academic instruction activities for both credit and noncredit courses. It includes remedial and tutorial instruction and vocational instruction (if offered).

Public Service: Public service expenditures primarily include activities providing non-instructional services for individuals and groups external to the institution. These activities include conferences, institutes, clinic services, consultation, advisory services and community-focused service programs. Many public service activities serve an ancillary role to the instructional mission of the institution, as they provide an opportunity for students to observe and participate in activities related to their field of study. (The non-instructional component of this category is excluded in this study, which include cooperative extension services and public broadcasting services).

Academic Support: Academic support services are an integral part of the institution's primary mission of instruction, research or public service and are not charged directly to these primary programs. Expenses for academic support include expenses for libraries, museums, galleries, audio/visual services, academic development, academic computing support, course and curriculum development, and academic administration.

Student Services: Student services expenditures are all student-related activities that support students' emotional and physical well-being and intellectual, cultural and social development outside the context of the formal instruction program. Examples include admissions and registrar activities, disability resources services, peer mentoring programs, campus health, career guidance, counseling, financial aid administration, student records, career advising and placement services.

Institutional Support: Institutional support includes expenses for the day-to-day operational support of the institution. Included are expenses for general administrative services, executive direction and planning, legal and fiscal operations, administrative computing support and information technology, marketing and media relations, human resources, public safety, procurement, and risk and liability costs.

Scholarships and Fellowships: The scholarships and fellowships classification include expenses for scholarships and fellowships—from restricted or unrestricted funds—in the form of grants that neither require the student to perform service to the institution as consideration for the grant, nor require the student to repay the amount of the grant to the funding source.

Operation and Maintenance of Plant and Depreciation: Beginning in the 2016-17 collection year, NACUBO and IPEDS no longer report O&M and depreciation as separate functional expense categories. Total O&M and depreciation expenses now are distributed among instruction, public service, academic support, student services, institutional support and research. In order to maintain consistency across institutions, NACUBO provides methods for allocating O&M and depreciation among these other functions.

ARIZONA BOARD OF
REGENTS
ASU ◆ NAU ◆ UA

2700 N. CENTRAL AVE. SUITE 400 | PHOENIX, AZ 85004 | AZREGENTS.EDU