

IMPACTING ARIZONA. TRANSFORMING THE WORLD.



Arizona Board of Regents FY2014 in Review

Arizona Board of Regents
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Arizona's Public Universities

Transforming Arizona, Impacting the World

As the governing body for the Arizona's public university system – Arizona State University, Northern Arizona University and the University of Arizona -- the Arizona Board of Regents is committed to ensuring affordable access to Arizona's public undergraduate and graduate institutions to the citizens of the state and learners around the world. We promote the discovery, application and dissemination of new knowledge and extend the benefits of university activities to Arizona's citizens outside the universities, maximizing the benefits derived from the state's investment in higher education.

Between the task of delivering affordable higher education that is relevant to students' needs and translating new knowledge to the marketplace and the community, the board and university presidents balance strategies to ensure the universities provide the quantity and quality of graduates needed to sustain a dynamic and vibrant economy for Arizona.

With a more highly educated population, all Arizonans, not just those with degrees, will enjoy greater economic prosperity. It is at this intersection of higher education and economic vitality that the Arizona Board of Regents has developed an innovative and aggressive strategic plan for the Arizona's public universities.

As part of the board's overarching mission, we are working to increase access to our institutions, produce enough high-quality university degrees for the state to be nationally competitive by the year 2020, and provide the educated workforce needed to fill shortages and to stimulate demand for higher paying jobs in Arizona. The regents are working to double the universities' research expenditures to nearly \$2 billion so that we can continue to contribute to the knowledge economy as well. Our goals support and stimulate a growing, vibrant economy and an enhanced quality of life for Arizonans through a top-performing university system that is nationally recognized for excellence in academic and research pursuits.



Board Composition

The Arizona Board of Regents is composed of 12 regents. Eight volunteer members are appointed by the governor to staggered eight-year terms. Two students serve on the board for two-year appointments, with the first year as a non-voting apprentice year. The governor and superintendent of public instruction serve as ex-officio members with full voting rights.

Mission

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

Arizona Board of Regents' Strategic Plan

As stewards of the Arizona's public university system, the board continues to make advancements in its innovative strategic plan. The goals in this aggressive plan include producing enough high-quality university degrees for the state to be nationally competitive by the year 2020 and doubling the economy and a high quality of life for Arizonans.

This integrated plan includes 32 performance metrics to manage and measure university and system productivity and progress in four key areas: educational excellence and access, research excellence, workforce and community, and productivity. Each university and the system have identified aggressive annual targets for the metrics through the year 2020, all of which support the board's overarching goal of increasing degree attainment and expanding research activities to support the state's economic competitive standing. The Enterprise Executive Committee, composed of the board and university presidents, is charged with implementing strategies to reach the metrics and reports annually to ABOR on progress. The Board of Regents has adopted this plan as the basis for its work through 2020. A public dashboard of the metrics is available on the board's website and provides accountability and transparency of progress on the goals.

System Productivity Up

Arizona's universities continue to make significant progress on their efforts to increase university degree productivity. For the 2012-13 academic year, the university system awarded 24,920 bachelor's degrees, exceeding its original target by 1,464 degrees. Overall, bachelor's degree productivity is up 16.8 percent since 2008-09.

FY 2014 Board Members

Chairman Richard Myers | Tucson

Vice Chair LuAnn H. Leonard | Polacca

Treasurer Mark Killian | Mesa

Secretary Dennis DeConcini | Tucson (term expired April 15, 2014)

Jay Heiler | Paradise Valley

Ram Krishna | Yuma

Anne Mariucci | Paradise Valley (term expired April 15, 2014)

Greg Patterson | Scottsdale

Ron Shoopman | Tucson (term began April 15, 2014)

Bill Ridenour | Paradise Valley (term began April 15, 2014)

Asst. Treasurer Kaitlin Thompson | Student, ASU

Valerie Hanna | Student, UA

Governor Jan Brewer | Ex-Officio

Superintendent of Public Instruction John

Huppenthal | Ex-Officio

Eileen Klein | ABOR President

**Bachelor's Degrees
Produced***

	2008-09	2009-10	2010-11	2011-12	2012-13	2009-13 Change	% Change
Arizona University System	20,346	21,110	22,214	23,842	24,920	3,810	22.5
Arizona State University	11,229	11,810	12,194	13,210	13,913	2,103	23.9
Northern Arizona University	3,203	3,473	3,825	4,281	4,513	1,040	40.9
University of Arizona	5,914	5,827	6,195	6,351	6,494	667	9.8

FY 2013 data is the most current available. FY 2014 will be available at the end of the 2014 calendar year.

Total Degrees Awarded

The Arizona University System is the primary entity awarding post-secondary to Arizona residents and fulfills a critical role in preparing the state's future workforce.

In 2012-13, the Arizona university system awarded 24,920 bachelor's degrees and 9,048 graduate degrees. This is an increase of 1,152 (4.8 percent) in bachelor's degrees and an increase of 134 (1.5 percent) in graduate degrees compared to the prior academic year.

Compared to ten years ago, the universities have increased the number of bachelor degrees awarded by 7,943 (46.8 percent) and the number of graduate degrees by 1,768 (24.2 percent).

In 2012-13, Arizona State University awarded the largest number of bachelor's degrees at 13,913 (55.8 percent), followed by the University of Arizona at 6,494 (26.1 percent), and Northern Arizona University at 4,513 (18.1 percent).

For graduate degrees awarded in 2012-13, Arizona State University conferred 5,003 (55.3 percent), followed by the University of Arizona which conferred 2,521 (27.9 percent), and Northern Arizona University which conferred 1,524 (16.8 percent).

To be on track to achieve our 2020 goal, we estimated a need to award 23,456 degrees in 2012-13. The universities are approximately 1,464 bachelor degree awards above that projection.

University System Degrees Awarded

	2008-09	2009-10	2010-11	2011-12	2012-13
Undergraduate	20,345	21,110	22,214	23,842	24,920
Graduate	8,529	8,521	9,076	8,914	9,048
System Total	28,874	29,631	31,290	32,756	33,968

**FY 2013 data is the most current available. FY 2014 will be available at the end of the 2014 calendar year.*

More Degree Options for Greater Access and Affordability

The university system has made tremendous strides in providing more low-cost options for students to pursue a bachelor's degree in Arizona. The board continues to promote university partnerships with community colleges that provide more affordable and accessible pathways to bachelor's degrees, including 2+2 and 3+1 programs, where students spend their initial years at the community college and complete the remaining one or two years at a university. In some cases, bachelor's degrees are offered through the university directly on the community college campus. These partnership programs provide seamless pathways from the community college to the university and reduce the overall cost of obtaining a bachelor's degree.

By the close of FY14, the university system boasted more than 1,200 bachelor's degree pathway programs between Arizona's community colleges and universities, with classes offered on-line and at campuses statewide. Students in select pathway programs can pay up to 50 percent less in tuition than what they would pay if they completed their four-year degree on one of the main campuses of the universities.

Enrollment Continues to Grow

All three of Arizona's public universities have realized significant increases in enrollment. Total enrollment for the 2013-14 academic year is as follows:

2013-14 Academic Year Enrollment

	Headcount	FTE
Arizona State University	76,711	76,376
Northern Arizona University	26,308	24,816
University of Arizona	40,621	40,073
Arizona University System	143,640	141,265

Between fall 2012 and fall 2013, headcount enrollment in the Arizona University system rose 3.1 percent with undergraduate enrollment up 3.3 percent and graduate enrollment up 2.6 percent for the first time since 2008. Overall, Arizona State University reported an increase of 4.6 percent, Northern Arizona University reported a 2.2 percent increase, and the University of Arizona reported a 1 percent increase.

Total enrollment is at the record level of 143,640, an increase of 4,355 over a year earlier. Undergraduate enrollment at 116,166 is at a record level as well while graduate enrollment at 27,534 is nearly back to its 2008 level of 27,775.



Full-time equivalent enrollment (FTE) rose nearly identical to headcount enrollment, rising 3.4 percent for undergraduate students and 2.4 percent for graduate students in fall 2013 compared to fall 2012. Overall, FTE enrollment was up 3.2 percent, compared to 3.1 percent for headcount enrollment. At Arizona State University, FTE enrollment grew 4.5 percent while Northern Arizona University reported 2.5 percent growth and the University of Arizona reported 1.2 percent growth.

Headcount and FTE enrollment in the last five years have grown 10.4 percent and 13.5 percent respectively.

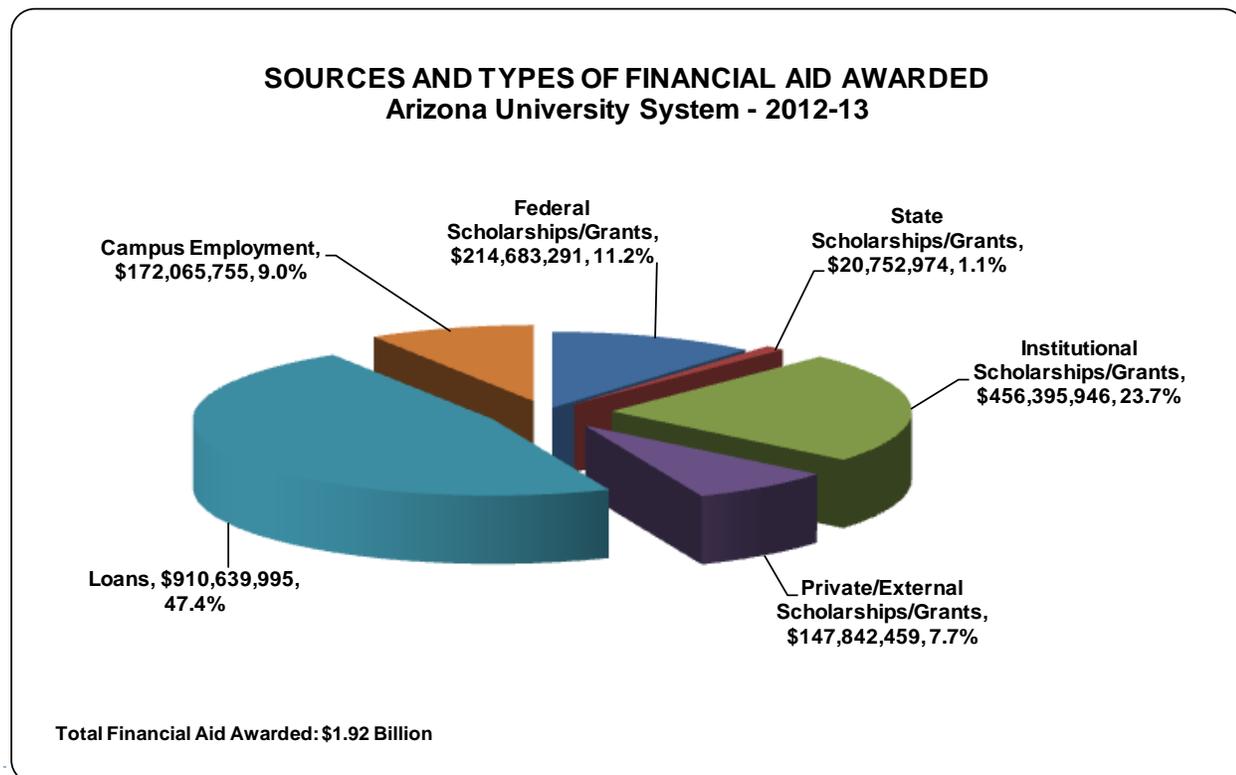
Financial Aid for Arizona Students on the Rise

Higher education and tuition costs in Arizona remain competitive among similar public universities. Yet many Arizonans need substantial financial assistance to afford higher education.

In FY13, total financial aid from all sources in the university system amounted to \$1.92 billion, an increase of 3.7 percent over last year’s level. The largest sources of financial aid awards were student loans, scholarships and grants provided by the universities, approximately 47 percent and 24 percent respectively. The smallest source came from state funding, amounting to \$20.8 million or 1 percent.

The universities devote significant resources to financial aid, called institutional financial aid. According to board policy, the universities must set aside at least 14 percent of tuition revenues for need-based financial aid.

In recent years, the board has asked the universities to set-aside at least 17 percent. The FY13 set-aside amounted to \$168 million. The universities go above and beyond the board requirement for financial aid. In 2012-13, the universities provided \$456.4 million in institutional scholarships and grants, an increase of 6.2 percent over last year’s level.



For FY13, approximately 92 percent of the university system's students were awarded some form of financial aid, an increase of 4.5 percent from 2012.

- Approximately \$911 million in student loans was awarded to university students, accounting for 47.4 percent of financial aid awards.
- 24 percent of assistance came from institutional scholarships and awards, amounting to \$456.4 million.
- State aid accounted for 1 percent, or \$20.8 million.

For FY14, it is estimated that the total institutional scholarship and grant amount given to students will be \$470 million, a 3 percent increase from FY13.

Estimate FY14 Financial Aid Awards

	Academic Scholarships	Regents Set Aside	Other Awards	Total
ASU	\$ 102.4	\$ 97.4	\$ 24.1	\$ 223.9
NAU	\$ 34.5	\$ 20.5	\$ 10.3	\$ 65.3
UA	\$ 102.2	\$ 55.8	\$ 23.2	\$ 181.2
Arizona University System	\$ 239.1	\$ 173.7	\$ 57.6	\$ 470.4

Tuition Set-Aside in Millions

	FY13	FY14
ASU	\$ 94.5	\$ 97.4
NAU	\$ 19.9	\$ 20.5
UA	\$ 54.1	\$ 55.8
Arizona University System	\$ 168.5	\$ 173.7

Capital Projects Develop the Infrastructure to Support Student Success and Achieve Strategic Goals

The universities continued to make efficient use of limited resources to develop capital assets that provide new and renovated space that support the academic, research and community outreach missions of the institutions. The university building system in FY14 consisted of 44.6 million square feet in 1,202 academic, support and auxiliary facilities. The replacement value for these facilities is estimated to be \$11.9 billion.

Arizona State University

Arizona State University projects that were complete in FY14 include the new College Avenue Commons Building, a multi-use facility that provides classrooms, offices and labs. ASU also continues to invest in renovations, improvements and upgrades to existing classrooms and facilities. ASU completed over 100 such projects including adding solar-power parasols throughout the campus.

Northern Arizona University

Northern Arizona University completed their Phoenix Biomedical Campus build-out and is near completion of its Health and Learning Center, Liberal Arts Building, San Francisco Parking Structure, and Skydome renovations. In

addition, NAU focused on code compliance upgrades, student learning environment improvements and research upgrades.

University of Arizona

The University of Arizona completed construction of the Sixth Street Residence Halls (Likins Hall & Arbol de la Vida), providing housing for nearly 1,100 undergraduate students, and completed major renovations to McKale Memorial Center. In addition, the UA focused on deferred maintenance and building renewal projects.

Building Renewal

The universities follow a legislative formula to calculate need for restoring and maintaining campus facilities. Based on current building inventory, the building renewal formula requirement for FY14 totaled \$115.5 million. Between 2004-2014, the formula was only funded once (\$20M-2007), which represented just a fraction of total needs, leaving a backlog of nearly \$603 million in deferred maintenance in FY 2014.

The following table provides the building inventory as of June 2014 and the annual building renewal formula requirements by institution:

Arizona University System FY 2014 Building Inventory and Building Renewal Formula

	ASU	NAU	UA	Total
Number of Facilities	377 *	117	718	1,212
Gross Square Feet	22,135,678	6,600,989	15,921,593	44,658,260
Est. Replacement Value	\$5,378,441,500	\$1,787,665,600	\$4,731,049,700	\$11,897,156,800
FY 2014 Building Renewal	\$36,273,500	\$9,977,900	\$54,150,000	\$100,401,400

Source: 2016-18 Capital Improvement Plan

*Note: ASU has adjusted the way the number of facilities is shown on the Building Inventory Summary. This has resulted in a reduction of 564 facilities from last reporting period.

Limited state and university resources coupled with continued enrollment growth and the long term enterprise goals for increasing both degrees awarded and research enterprises, continue to require the use of innovative approaches to finance needed facilities and develop revenue-generating opportunities, including partnering with third-party entities for the financing, construction and operation of facilities at all university campuses.

Academic Programs

In FY14, the Arizona University System offered 416 bachelor’s degree programs, 333 master’s degree programs, 187 doctoral degree programs and four first professional degrees, 252 undergraduate certificate programs, 145 graduate certificate programs and four specialist programs. The following is a breakdown of academic programs offered by university/campus:

Arizona State University at the Tempe Campus offered 107 bachelor’s degree programs, 106 master’s degree programs, 69 doctoral degree programs, 56 undergraduate certificate programs and 30 graduate certificate programs. Programs are offered through: W.P. Carey School of Business; Herberger Institute for Design and the Arts; Mary Lou Fulton Teachers College; Ira A. Fulton Schools of Engineering; College of Health Solutions; Sandra

Day O'Connor College of Law; College of Liberal Arts and Sciences; College of Public Programs; School of Sustainability; School of Letters and Sciences; and Barrett, The Honors College.

Arizona State University at the West Campus offered 36 bachelor's degree programs, 8 master's degree programs, one doctoral degree program, 8 undergraduate certificate programs, and 2 graduate certificate programs. Programs are offered through: Mary Lou Fulton Teachers College; New College of Interdisciplinary Arts and Sciences; W.P. Carey School of Business; School of Letters and Sciences; College of Liberal Arts and Sciences; and Barrett, The Honors College.

Arizona State University at the Polytechnic Campus offered 34 bachelor's degree programs, 14 master's degree programs, 2 doctoral degree programs, and 6 undergraduate certificate programs, and 4 graduate certificate programs. Programs are offered through: W.P. Carey School of Business; Ira A. Fulton Schools of Engineering; College of Health Solutions; School of Letters and Sciences; College of Liberal Arts and Sciences; School of Sustainability; Mary Lou Fulton Teachers College and Barrett, The Honors College.

Arizona State University at the Downtown Phoenix Campus offered 23 bachelor's degree programs, 26 master's degree programs, 10 doctoral degree programs, 14 undergraduate certificate programs, and 22 graduate certificate programs. Programs are offered through: College of Nursing & Health Innovation; College of Health Solutions; College of Public Programs; Walter Cronkite School of Journalism and Mass Communication; School of Letters and Sciences; Mary Lou Fulton Teachers College; School of Sustainability; and Barrett, The Honors College.

Northern Arizona University offered 92 bachelor degree programs, 48 master degree programs, 11 doctoral degree programs, 42 baccalaureate certificate programs and 25 master certificate programs. Programs were offered through the University's colleges and divisions including the College of Arts and Letters, The W.A. Franke College of Business, College of Education, College of Engineering, Forestry and Natural Sciences, College of Health and Human Services, College of Social and Behavioral Sciences, Graduate College, University College and Extended Campuses.

The University of Arizona offered 124 bachelor's degree programs, 131 master's degree programs, 94 doctoral degree programs, three first professional programs, four specialist programs, and 62 graduate certificates in colleges and 24 schools.

The colleges include the College of Agriculture and Life Sciences; College of Architecture, Planning and Landscape Architecture; College of Education; Eller College of Management; College of Engineering; College of Fine Arts; College of Humanities; College of Letters, Arts and Science; College of Medicine – Tucson; College of Medicine – Phoenix; College of Nursing; College of Optical Sciences; College of Pharmacy; James E. Rogers College of Law; College of Science; College of Social and Behavioral Sciences; Mel and Enid Zuckerman College of Public Health; Graduate College; Honors College; Outreach College; and University of Arizona South.



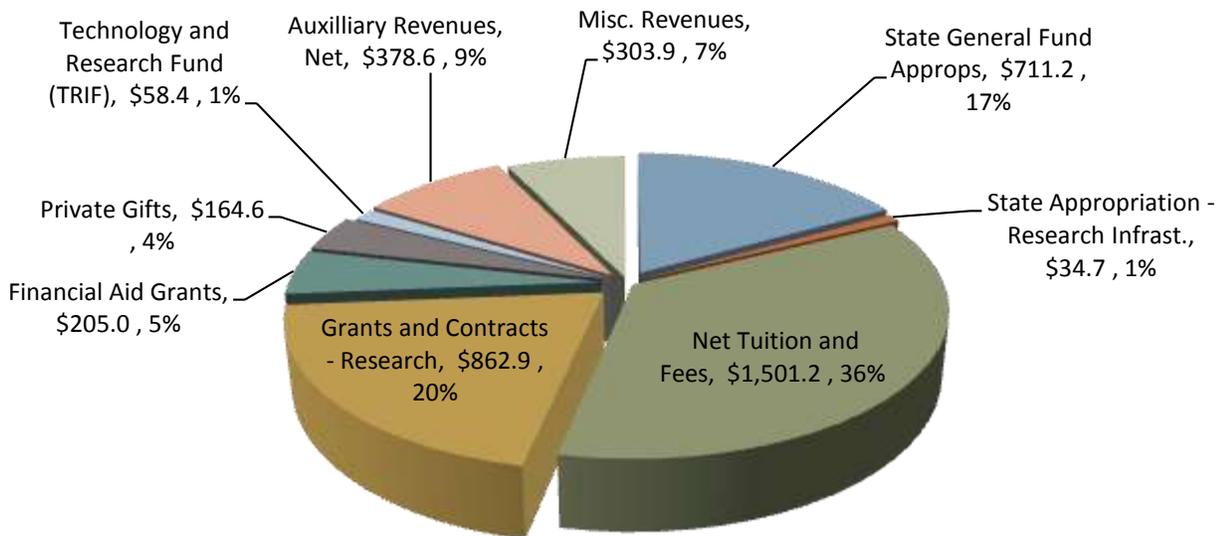
Schools include Animal and Comparative Biomedical Sciences; Anthropology; Architecture; Art; Dance; Earth and Environmental Sciences; Norton School of Family and Consumer Sciences; Geography and Development; Government and Public Policy; Information Resources and Library Science; Information Science, Technology and Arts; International Languages, Literatures, and Cultures; Journalism; Landscape Architecture and Planning; Management; Mathematical Sciences; Middle Eastern and North African Studies; Mind, Brain and Behavior; Music; Natural Resources and the Environment; Plant Sciences; Sociology; Sustainable Engineered Systems; and Theatre, Film and Television.

FY 2014 All Funds Operating Budget

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

- \$1,501.2 billion (36 percent) in net tuition and fees;
- \$862.9 million (20 percent) in grants and contracts; and
- \$711.2 million (17 percent) in state general fund appropriations.

2014 All Funds Operating Budget



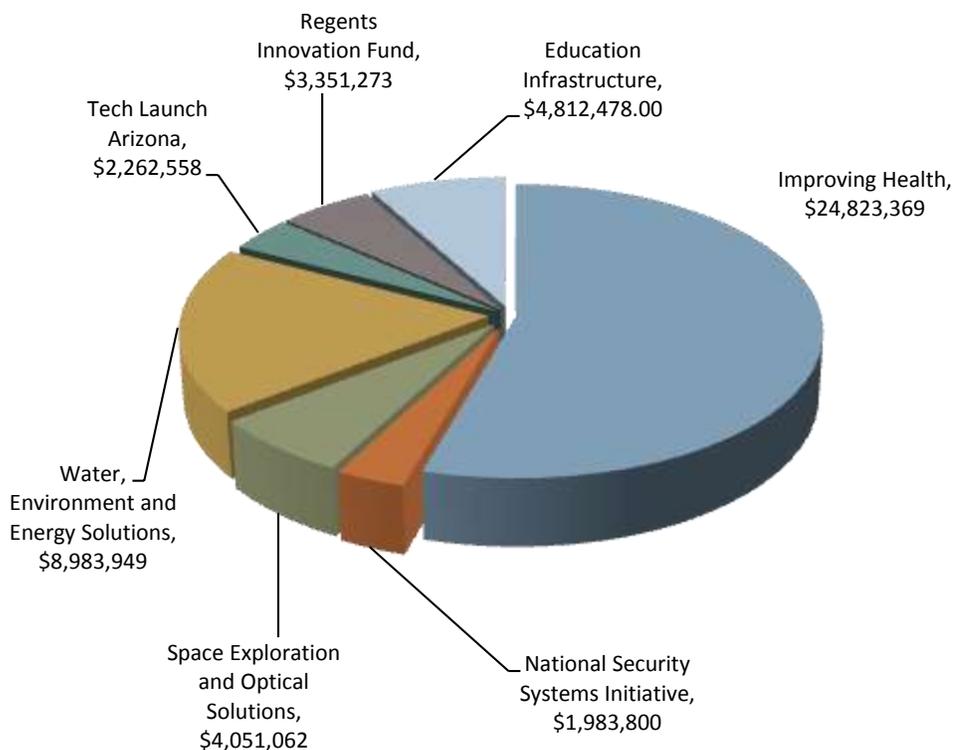
Technology and Research Initiative Fund

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

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

The Arizona Board of Regents received \$67.3 million in TRIF funds in FY14. Funds are allocated to the universities consistent with board-approved TRIF budgets. These funds also help provide the leverage for reaching the system-wide research expenditure goal of \$2 billion by 2020 as identified in the Board’s strategic plan. TRIF funds were invested as follows:

FY14 TRIF Funds



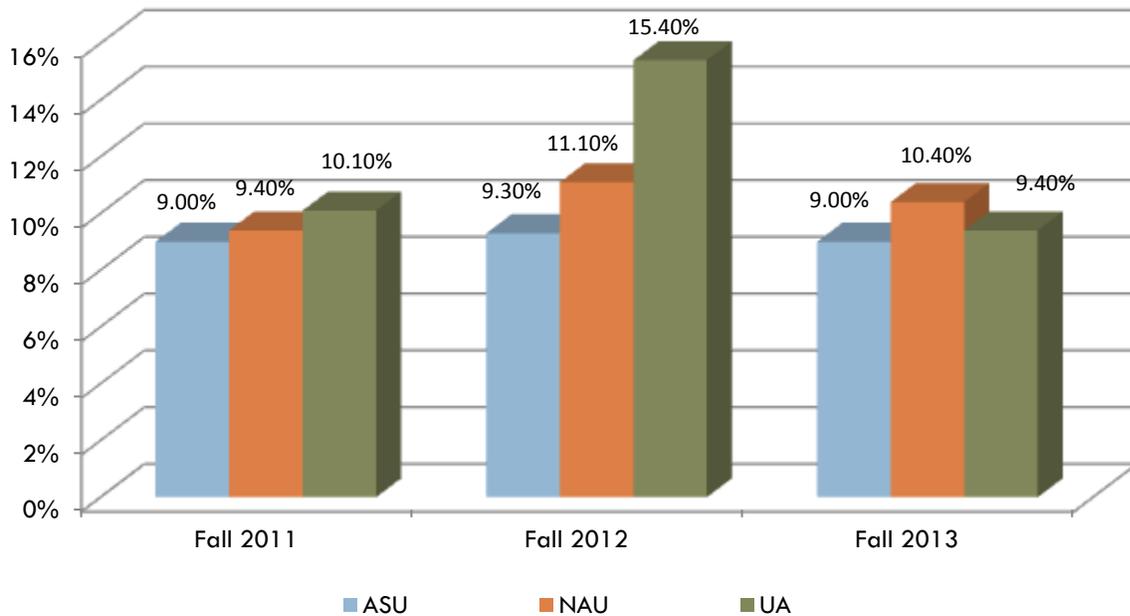
Personnel Report Overview

Arizona’s public universities compete with hundreds of other public and private universities throughout the country to attract and retain talented faculty. Talented faculty and staff are critical to meeting strategic goals of advancing educational attainment and expanding the research enterprise.

In spite of quality of life arguments made for Arizona, salary competitiveness is still the single most important factor in determining whether an individual accepts other employment or stays with Arizona’s universities. To assess how competitive Arizona’s salaries are compared to the national marketplace, the universities calculate

average and median salaries, comparing faculty salaries in Arizona to those at peer institutions. These comparisons include all ranked faculty -- professors, associate professors, and assistant professors. The table below shows the average faculty salary increase needed for the universities to reach average faculty salaries of their peer institutions.

Arizona University System Main Campuses FY12-14 Average Faculty Salary Increase Needed to Reach Median Salary of Peers



The majority of the comparator universities pay higher average salaries to their faculty than Arizona’s universities pay, demonstrating that Arizona’s standing is still lacking competitiveness, specifically:

- All three universities’ average faculty salaries rank at the bottom of their peers. For ASU, 13 of the 15 peer universities pay higher average salaries than ASU; For NAU, 12 of the 15 peer universities pay higher average salaries; and the UA has the lowest average salaries compared to its peer institutions.
- Average faculty salaries range from \$6,400 to \$12,300 (up to 12 percent) below the peer median at the three universities.

Whether looking at salaries or total compensation, the three universities find competing nationally to recruit and retain the best faculty members to be a continual challenge. Individuals who are able to raise the quality and stature of the universities’ programs can and do command top dollar. Accordingly, Arizona’s public universities must have the capacity to meet the salary requirements of these scholars and to pay beyond the median to attract and retain them.

For FY 2016, an estimated \$140.4 million (salaries + ERE) is needed for salary adjustments to enable the universities and system office to catch up with their respective markets.

The strategic use of university resources to reallocate and target specific key market issues has helped to reduce the amount of unmet need. The FY 2016, the projected unmet salary need is \$140 million, an increase of \$20 million from the \$119.7 projected for FY 2015.