

Overview

Arizona State University continues to advance the principles embodied in our Charter. The FY 2020 Annual Budget reflects the investment plan designed to continue progress toward the challenging performance metrics set by the Arizona Board of Regents, and to support the continued progress toward the Charter principles.

ASU Charter

ASU is a comprehensive **public research university**, measured not by whom it excludes, but by **whom it includes** and how they **succeed**; advancing **research and discovery** of public value; and assuming **fundamental responsibility** for the economic, social, cultural and overall health of the **communities** it serves.

The plan's goals are complex, but center on access, student success, research and innovation of public value, and meaningful public service. This focus requires developing sufficient capacity to allow any qualified Arizona resident to attend and succeed, and maintaining tuition and financial aid policies ensuring that access is not limited by a resident student's financial circumstances. Additionally, ASU must offer a world-class educational environment with colleges and schools that offer the most current knowledge, and build the human and technological systems needed to support students and their academic success. This continued progression is evidenced by ASU's ability to extend our visibility and reputation, attract more and stronger students and faculty from around the world, and maintain a faculty committed to interdisciplinary scholarship that contributes substantially to new research and discovery.

FY 2019 was another very good year for ASU. For the fourth consecutive year, ASU was named the nation's most innovative school by U.S. News & World Report in terms of curriculum, faculty, students, campus life, technology and facilities. Demand for an ASU degree continues to be strong, with Fall 2018 FTE enrollment up 5.8 percent over the prior year. Immersion FTE enrollment grew by 1.7 percent, including strong Arizona resident FTE enrollment, up 2.2 percent. Online FTE enrollment increased by 21.6 percent, evidencing the continued success of ASU Online. Moreover, ASU student success continues to improve, with the 2017-18 freshman retention rate hitting an all-time high of 85.5 percent. Graduation rates also continue their upward trajectory, with the four-year rate now at 52.4 percent and the six-year rate at 70.7 percent. Graduation rates are expected to continue to climb, given the significant improvement in student retention rates. During academic year 2017-18, ASU conferred 25,974 degrees, including 18,178 bachelors and 7,796 graduate degrees.

**#1 in the U.S.
for innovation**
ASU ahead of Stanford and MIT
—U.S. News & World Report 2016, 2017, 2018 and 2019

This past year, ASU enjoyed several new acknowledgements of the University's growing quality. The Princeton Review named ASU to their list of "Colleges that Pay You Back". And ASU was listed as a "best buy" for excellence and value by the Fiske Guide to College 2018, among only twenty U.S. public universities earning this distinction. In 2018, ASU was ranked in the top one percent of the world's most prestigious universities according to the Times Higher Education rankings of the world's top 1,000 universities, and for the fourth year in a row, the Institute of International Education reported that ASU is ranked as the top public University choice of international students. In addition, the 2018 Center for World University Rankings (CWUR) listed nine ASU academic programs as top ten internationally, including one ranked number one. CWUR are the only global higher education rankings that measure the quality of education and training of students as well as the prestige of the faculty and the quality of their research.

In terms of research and discovery, ASU continues to grow faster than nearly any other very large research institution. ASU ranks 8th in total research expenditures among institutions without a medical school, with its research volume doubling every six to eight years. Recently, ASU joined a consortium to advance the understanding of cancer and its clinical management with an interdisciplinary approach. ASU has been awarded more than \$8.5 million in grants over five years from the National Cancer Institute (NCI) to establish the Arizona Cancer and Evolution Center. As a designated Cancer Systems Biology Center, the Arizona Cancer and Evolution Center will be embedded in a large-scale initiative led by NCI, helping to support their Cancer Systems Biology Consortium. In addition, Carlo Maley, associate professor in the Biodesign Center for Biocomputing, Security and Society and director of the Arizona Cancer Evolution Center, has been awarded a \$10.8 million grant from NCI to develop a Breast Pre-Cancer Atlas repository for information about breast tumors, open to the scientific community to use for further analysis in conjunction with researchers at Duke University and Stanford University.

FY 2020 Budget Highlights				
<i>(\$ millions)</i>	FY 2020	FY 2019	Change	% Change
Revenue	\$ 2,925.5	\$ 2,660.8	\$ 264.7	9.9%
Expense	2,883.6	2,601.6	282.0	10.8%
Increase in Net Position	\$ 41.9	\$ 59.2	\$ (17.3)	(29.2%)

FY 2020 Budgeted Revenue

The FY 2020 budget includes an increase in revenue of \$264.7 million, or 9.9%, over the FY 2019 budget. A description of each of the key components follows.

The largest investors in Arizona State University continue to be students and their parents, as evidenced by net tuition and fee revenues that represent 56 percent of total revenue. ASU’s reputation and international recognition continue to drive strong demand for its degrees, with increased interest from nonresident domestic students in particular. Gross tuition and fees are projected to increase by \$196.2 million or 11.1 percent higher than the FY 2019 budget. Scholarship allowance is anticipated to increase by \$49.4 million, reflecting growth in the resident student population, most of whom qualify for institutional scholarships, and growth in the population with greater financial need that qualify for Pell grants. Tuition and fee revenue, net of scholarship allowance, is estimated to increase by \$146.8 million or 10.6 percent, reflecting projected enrollment growth combined with the tuition rates approved by the Board of Regents in April 2019. Financial aid grants, primarily comprised of Federal Pell grants, will increase by \$26.2 million versus the FY 2019 budget. Although a large increase on a budget-to-budget basis, it is important to note that the actual FY 2019 Pell revenues are projected to exceed budget by nearly \$8 million, moderating the real growth estimated for FY 2020.

Enrollment growth assumptions and the resultant tuition and fee estimates included in the budget are consistent with the projections provided to the Board of Regents during the tuition workshop in March. Overall enrollment is budgeted to increase by 6.0 percent from Fall 2018 actual results. Enrollment growth for resident students is projected to be 2,157 FTE or 3.9 percent higher than Fall 2018. Nonresident domestic student enrollment growth is included at 4,522 FTE or 11.8 percent more than Fall 2018, while international student enrollment is anticipated to decline marginally, reflecting to some degree the impact that national policy decisions have on such enrollment. The overall enrollment growth of 6.0 percent is comprised of immersion enrollment growth budgeted at 2.2 percent and online enrollment growth at 18.2 percent.

Budgeted public investment revenues reflect the Governor’s FY 2020 recommendations, and include one-time changes as well as technical adjustments. The FY 2020 budget includes a decline in state general fund operating appropriations of \$5.5 million related to one-time FY 2019 appropriations, a decline of \$0.5 million associated with reduced Research Infrastructure lease-purchase and Risk Management Insurance premium payments, offset by a \$33.9 million increase in appropriations for one-time operational or capital needs, increased support of employer share health insurance premiums and a two percent inflationary increase inof University Capital Infrastructure funding.

ASU continues to achieve strong growth in sponsored research activity, and anticipates this trend to continue in FY 2020. The budget includes an increase of \$24.5 million or 6.6 percent in research grants and contracts over the FY 2019 budget.

Other significant changes in budgeted revenue include a projected increase of \$20.6 million in auxiliary revenues, largely the result of strong demand for housing and dining.

FY 2020 Strategic Investments

Strategic investments are critical to attaining the goals assigned to ASU by the Arizona Board of Regents in the Enterprise Plan. ASU's investment priorities continue to be those discussed with the Regents in February as part of the Operational and Financial Review (OFR). These priorities include a focus on access for all qualified Arizona residents, support of academic achievement through expansion of faculty with an emphasis on tenured and tenure-track hires, additional support positions to maintain or improve service levels for students as enrollment continues to grow, increased research space, and periodic investment in the online learning platform.

Investment in institutional financial aid is a fundamental requirement for ASU to deliver on its Charter. Incremental financial aid funding included in the FY 2020 budget is \$84.0 million. This includes \$23.5 million in Regents Set-Aside from tuition, \$2.1 million in Set-Aside on differential tuition and program fees, \$29.4 million in aid associated with the FY 2019 overachievement of enrollment and enrollment mix, and \$29.0 million in additional institutional aid including \$5.9 million of assured aid to honor commitments associated with the ASU's board-approved tuition structure redesign. This incremental funding allows ASU to ensure access and increased degree attainment for Arizona residents.

ASU's FY 2020 budget includes \$46.0 million to support enrollment growth-related expenses. Further, to add faculty members beyond those supported by enrollment growth funding, \$16.6 million has been included in the FY 2020 budget to recruit additional new faculty, focusing on both accomplished senior faculty and promising early-career academics.

As outlined in the tuition hearing materials, ASU anticipates \$35.4 million of incremental revenue for programs supported by fees. In accordance with the plans for those fees as approved by the Board of Regents, the fees will be invested in colleges and programs.

Consistent with the Governor's budget recommendation, ASU has included in its FY 2020 budget \$14.7 million to cover the increased cost of the employer share of health insurance premiums.

The FY 2020 annual budget continues to allocate funding for merit-based salary increases. This \$14.4 million in funding is critical to recognize high-performing faculty and staff and to enhance employee retention. Stagnant salaries in the current employment climate could accelerate turnover, and risk loss of highly talented faculty and staff. The increase will be effective as of January 2020.

Support services and facility costs are increased by \$10.8 million in FY 2020. These include investments of \$5.1 million in support services, \$3.2 million in debt service for new and renovated buildings, and \$2.5 million for incremental costs related to leases, custodial services and other building O&M.

ASU will seek to identify operational efficiencies and make strategic internal reallocations of \$23.6 million in order to support its strategic priorities and needs.

FY 2020 Expense and Net Result

Expense

The expense levels included in the budget contemplate the strategic investments just detailed, as well as those generated from auxiliary and restricted funds. The increase of \$24.5 million in research revenues is offset by expenditures related to the sponsored activity required.

Salaries and wages are anticipated to increase by \$93 million or 8.8 percent. This is directly attributable to the investments in faculty hiring, enrollment growth, research capacity, and auxiliary enterprises. Benefit costs are expected to increase by \$22.5 million, or 6.4 percent. Included in the total are employer health care premiums assessed by the State, which are expected to increase by about 8.4 percent from the FY 2019 level.

Other post-employment benefits (OPEB)/Pension Benefits represents the non-cash recognition of ASU's proportionate share of the State's unfunded pension actuarial liability and related post-retirement health care benefits. ASU projects that there will be no net expense for FY 2020 as an anticipated ASRS credit will offset any OPEB increase.

All other operating expenses are expected to increase by \$119.0 million or 15.8 percent over FY 2019. This is driven largely by online partnership payments, increased research volume, operations and maintenance costs, and non-personnel strategic investments.

Depreciation, also a non-cash expense, is expected to increase by \$6.9 million. Interest expense is expected to decline by \$0.5 million, the result of bond refundings completed earlier in the year, taking advantage of the lower interest rate environment.

Net Result

ASU has a balanced cash-based budget, which results in a budgeted increase in net assets of \$41.9 million at June 30, 2020, a decrease of \$17.3 million relative to the current year budget. While this still represents a healthy result, the lack of State investment for resident students, combined with ongoing restraint on tuition rates, is beginning to limit the ability to fund mission-critical investments while maintaining desired margins. The cash budget should include an increase in net assets so that coverage is available for debt service principal and capital expenditures not otherwise funded by debt, as well as to maintain long-term financial equilibrium.

Days cash on hand is expected to be 126 days at June 30, 2020, a slight decline relative to the June 30, 2019 projection.

The tables on the following pages provide the detailed budget.



ANNUAL BUDGET

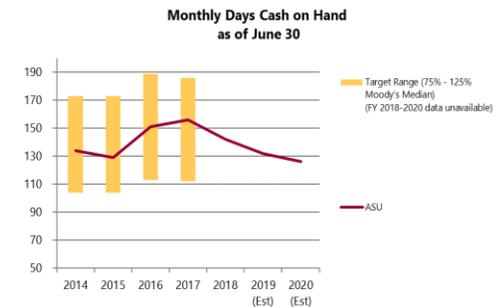
Budgeted Statement of Revenues, Expenses, and Changes in Net Position

(\$ millions)

	FY 2020 OPERATING BUDGET	FY 2019 OPERATING BUDGET	VARIANCE BETWEEN FY 2020 AND FY 2019 BUDGET	
			\$	%
Revenues				
Appropriated General Funds	\$ 324.9	297.3	27.6	9.3%
Appropriated General Funds - Research Infrastructure	13.5	13.5	-	0.0%
Appropriated General Funds - Capital Infrastructure	12.2	11.9	0.3	2.5%
Appropriated General Funds - Arizona Financial Aid Trust (AFAT)	6.0	6.0	-	0.0%
Tuition and Fees	1,970.0	1,773.8	196.2	11.1%
less Scholarship Allowance	(434.2)	(385.6)	(48.6)	12.6%
Net Tuition and Fees	1,535.8	1,388.2	147.6	10.6%
Grants & Contracts - Research	395.0	370.5	24.5	6.6%
Financial Aid Grants (Primarily Federal Pell Grants)	178.0	151.8	26.2	17.3%
Private Gifts	95.4	85.0	10.4	12.2%
Technology & Research Initiative Funds	34.0	32.6	1.4	4.3%
Auxiliary Revenue	190.4	169.8	20.6	12.1%
Other Revenues	140.3	134.2	6.1	4.5%
Total Revenues	\$ 2,925.5	\$ 2,660.8	\$ 264.7	9.9%
Expenses				
Salaries & Wages	\$ 1,153.0	\$ 1,060.0	\$ 93.0	8.8%
Benefits	375.0	352.5	22.5	6.4%
OPEB/Pension Benefits	-	15.0	(15.0)	(100.0%)
All Other Operating	870.9	751.9	119.0	15.8%
Scholarships & Fellowships, Net of Scholarship Allowance	280.5	224.4	56.1	25.0%
Depreciation	141.5	134.6	6.9	5.1%
Interest on Indebtedness	62.7	63.2	(0.5)	(0.8%)
Total Expenses	\$ 2,883.6	\$ 2,601.6	\$ 282.0	10.8%
Net Increase	\$ 41.9	\$ 59.2	\$ (17.3)	(29.2%)

Monthly Days Cash on Hand

Monthly days cash on hand is projected to be 126 days at June 30, 2020.





ANNUAL BUDGET

Incremental Allocation of General Purpose Funds (\$ millions)

<u>FY 2019 Base General Purpose Funds</u>	\$ 2,257.2
Changes in Incremental General Purpose Funds	
Return of FY 2019 One-time General Fund Appropriation	(5.5)
One-time Capital and Operational Funding	18.9
University Capital Infrastructure Funding	0.2
Research Infrastructure Lease-Purchase Payment Adjustment	(0.0)
Health Insurance Premium Standard Adjustment	14.7
Risk Management Insurance Premium Standard Adjustment	(0.5)
Retirement Rate Increase Standard Adjustment	-
Total Change in Public Investment	27.9
Revenues from Tuition and Fees - Incremental FY 2019 Budgeted Tuition and Fees	170.6
Net Change in Resources	198.5
Allocation of Incremental General Purpose Funds	
Financial Aid	84.0
Enrollment Growth - Related Expenses	46.0
Investment in Programs Supported By Fees	35.4
Investment in Faculty Hiring and Academic Support	16.6
ERE - Increased Employer Share of Health Care Costs	14.7
Salary Merit Program	14.4
Support Services Investments	5.1
Debt Service	3.2
Facilities Costs (O&M, utilities, leases)	2.5
University Capital and Research Infrastructure Investments	0.2
Internal Reallocations	(23.6)
Net Change in Budget Allocations	198.5
<u>FY 2010 Base General Purpose Funds</u>	\$ 2,455.7

Strategic Metric Addressed			
Student Educational Success and Learning	Educational	Discover New Knowledge	Impact Arizona
Freshman retention, enrollment, grad rates, etc.	Bachelors degrees awarded, grad degrees, E&G, certifications and	Research and development, licenses & options, inventions	Public service, degrees in high demand fields, etc
X	X		X
X	X		X
X	X		X
X	X	X	
X	X		
X	X	X	
X	X	X	X

1. General Purpose Funds include Appropriated General Funds, Appropriated TRIF, and Appropriated and Non-appropriated tuition and fees, and exclude Non-appropriated Other Designated Funds, Auxiliary Funds and Restricted Funds.



ANNUAL BUDGET

Appropriated Funds Expenditure Authority (\$ thousands)

	FY 2020 BUDGET	FY 2019 BUDGET	CHANGE
University Revenues			
Resident Tuition	\$ 531,965.0	\$ 494,338.9	\$ 37,626.1
Non Resident Tuition	965,515.9	850,431.0	115,084.9
Program Fees	61,102.7	74,653.0	(13,550.3)
College Fees	52,661.9	0.0	52,661.9
Other Student Fees	8,085.6	11,550.0	(3,464.4)
Miscellaneous Revenues	6,455.0	6,147.6	307.4
Total University Revenues	\$ 1,625,786.1	\$ 1,437,120.5	\$ 188,665.6
 University Revenues Retained for Local Uses			
Support for Local Operating Budgets	\$ 437,518.3	\$ 328,616.5	\$ 108,901.80
Regents Financial Aid Set Aside	174,345.9	150,875.6	23,470.3
Other Financial Aid	276,822.3	217,966.0	58,856.3
Plant Funds	20,000.0	20,000.0	0.0
Debt Service/COPS/Lease Purchase	62,503.0	59,588.0	2,915.0
Total Retained for Local Uses	\$ 971,189.5	\$ 777,046.1	\$ 194,143.4
 University Revenues Supporting the Operating Budget			
Plus: Public Investment ¹	\$ 360,244.1	\$ 332,375.8	\$ 27,868.3
Total Appropriated Funds Expenditure Authority	\$ 1,014,840.7	\$ 992,450.2	\$ 22,390.5

1. Includes \$3.6M of Appropriated Technology and Research Initiative Funds (TRIF)

Prior to the start of a fiscal year, ABOR approves the Appropriated Funds Expenditure Authority as statutorily required. Appropriated Funds Expenditure Authority is equal to the sum of the public investment, appropriated tuition and fees, and other revenues as approved by the Board. The uses of university revenues retained for local uses are detailed on the following three pages.



ANNUAL BUDGET

Local Collections

	FY 2020 BUDGET	FY 2019 BUDGET	CHANGE
LOCAL COLLECTIONS FROM TUITION AND FEES			
OPERATING FUNDS FROM TUITION AND FEES			
<u>DESIGNATED</u>			
Academic Affairs	\$ 5,200	\$ 5,200	\$ -
AECP - International Teaching Assistants	105,500	105,500	-
Associated Students - ASU	1,035,600	1,035,600	-
Campus Environment Team	4,800	4,800	-
Career Services	48,900	48,900	-
Child and Family Services	75,600	75,600	-
College Fee Allocation	43,709,400		43,709,400
College Tuition Allocation	25,776,300	12,195,400	13,580,900
Commencement	15,000	15,000	-
Constituent Advocacy	150,000	150,000	-
Dining Services Management	38,000	38,000	-
Distance Learning Technology	1,169,500	1,169,500	-
EdPlus at ASU Investments	272,612,500	225,345,000	47,267,500
Environmental Health & Safety	219,600	219,600	-
Federal Direct Loan Administration	173,600	173,600	-
Fine Arts Activities	307,900	307,900	-
Fine Arts Program	60,000	60,000	-
Fine Arts Theatres	605,900	605,900	-
Forensics	106,100	106,100	-
Graduate Student Support Fee Allocation	2,072,300		2,072,300
Graduate Support Program	439,400	439,400	-
Honors College	3,000	3,000	-
Inter-campus Shuttle Services	174,000	174,000	-
Interpreters Theatre	35,700	35,700	-
KASC Radio	22,000	22,000	-
Learning Communities	6,500	6,500	-
Library Support	376,100	376,100	-
Local Support for Academic/Administrative Units	41,153,900	41,153,900	-
Mona Plummer Aquatic Complex	141,900	141,900	-
Overseas Study Abroad Program Costs	2,482,800	2,482,800	-
Special Events	196,800	196,800	-
Student Affairs Initiatives	275,800	275,800	-
Student Counseling	5,000	5,000	-



ANNUAL BUDGET

Local Collections (continued)

	FY 2020 BUDGET	FY 2019 BUDGET	CHANGE
<i>DESIGNATED (continued)</i>			
Student Financial Assistance Administration	423,000	423,000	-
Student Forum	45,000	45,000	-
Student Government	20,000	20,000	-
Student Health Services	225,000	225,000	-
Student Organizations	21,000	21,000	-
Student Orientation and Forums	10,600	10,600	-
Student Recreation/Intramurals	3,007,500	3,007,500	-
Student Union/Activities	558,700	558,700	-
Summer Bridge Program	335,200	335,200	-
University Minority Cultural Program	126,200	126,200	-
University Sustainability Initiatives	100,000	100,000	-
Research Asst./Teaching Asst. Benefit Costs	24,722,700	23,977,300	745,400
Employee Benefit Adjustments/Contingencies	200,000	200,000	-
SUBTOTAL	423,399,500	316,024,000	107,375,500
<i>AUXILIARY</i>			
Memorial Union	1,129,200	1,129,200	-
Recreation Sports	827,100	827,100	-
SUBTOTAL	1,956,300	1,956,300	-
OPERATING FUNDS SUBTOTAL	\$ 425,355,800	\$ 317,980,300	\$ 107,375,500



ANNUAL BUDGET

Local Collections (continued)

	FY 2020 BUDGET	FY 2019 BUDGET	CHANGE
<i><u>FINANCIAL AID</u></i>			
Regents Financial Aid Set Aside	174,345,900	150,875,600	23,470,300
Other Financial Aid - Institutional Financial Aid	252,931,300	198,239,400	54,691,900
College Fee Financial Aid	8,952,500		8,952,500
Graduate Student Support Fee Financial Aid	424,400		424,400
Other Financial Aid - CRESMET/CONACYT/NEEP	371,400	371,400	-
Teach for America Scholarships	100,000	100,000	-
Other Financial Aid - Graduate Scholars Program	600,000	600,000	-
Graduate Fellowship Program	1,800,000	1,800,000	-
CONACYT Fellowship Program	144,900	144,900	-
Other Fin. Aid - School of Engineering Program	1,760,000	1,760,000	-
SUBTOTAL	\$ 441,430,400	\$ 353,891,300	\$ 87,539,100
<i><u>MINOR CAPITAL/FACILITIES MAINTENANCE PROJECTS</u></i>	20,000,000	20,000,000	-
<i><u>ENERGY MANAGEMENT CONTRACT</u></i>	5,381,100	5,887,000	(505,900)
<i><u>DEBT SERVICE</u></i>	57,121,900	53,701,000	3,420,900
TOTAL LOCAL RETENTION FROM TUITION	\$ 949,289,200	\$ 751,459,600	\$ 197,829,600
LOCAL COLLECTIONS FROM PROGRAM FEES			
<i><u>DESIGNATED</u></i>			
Local Support for Academic Units	12,162,500	10,636,200	1,526,300
<i><u>FINANCIAL AID</u></i>			
Business Financial Aid Set Aside	3,117,600	3,002,400	115,200
Engineering Financial Aid Set Aside	1,464,300	2,235,400	(771,100)
Health Solutions Financial Aid Set Aside	1,253,200	1,421,100	(167,900)
Journalism Financial Aid Set Aside	167,700	274,800	(107,100)
Law Financial Aid Set Aside	2,112,300	4,119,000	(2,006,700)
Liberal Arts & Sciences Financial Aid Set Aside	133,000	1,058,600	(925,600)
Nursing Financial Aid Set Aside	539,600	875,500	(335,900)
Student Technology Fee Financial Aid Set Aside	950,100	1,963,500	(1,013,400)
SUBTOTAL	21,900,300	25,586,500	(3,686,200)
TOTAL LOCAL RETENTION FROM PROGRAM FEES	\$ 21,900,300	\$ 25,586,500	\$ (3,686,200)
TOTAL LOCAL COLLECTIONS	\$ 971,189,500	\$ 777,046,100	\$ 194,143,400



ANNUAL BUDGET

FY 2019 Reportable Deficits of \$100,000 or More

COST CENTER	FY 2018 Actual Ending Surplus/(Deficit)	FY 2019 Estimated Revenues and Transfers In	FY 2019 Estimated Expenditures and Transfers Out	FY 2019 Projected Operating Margin	FY 2019 Projected Ending Balance
Sun Devil Athletics Operations	\$ (3,821,700)	\$ 91,840,100	\$ 92,727,800	\$ (887,700)	\$ (4,709,400)

Description

The projected deficit for Sun Devil Athletics (SDA) Operations is driven primarily by continuing contractual buyout payments to former Football coaches. The resulting deficit will be offset over the next five years by additional sponsorship revenue, philanthropy and operating efficiencies.

