

University of Arizona FY 2018 Annual Budget

Budget Overview:

The University of Arizona is pleased to submit its FY 2018 operating budget for approval by the Arizona Board of Regents. This budget was developed with input from student leaders; University shared governance representatives and University administration and reflects initiatives that are aligned with the Operational & Financial Review, strategic plan, and materials presented to the Board of Regents in recent past months. The University of Arizona, however, is now in transition and will welcome its new president June 2017. While this budget reflects initiatives as recently presented, it also provides flexibility for Dr. Robbins to make adjustments as he requires as he transitions into the executive leadership role.

Contained within the budget are the following assumptions (amounts below describe the change from FY 2017 Original budget to FY 2018 Original Budget):

- Fall 2017 Enrollments are projected to increase by approximately 960 FTE; of these, roughly 330 are traditional enrollments and 630 are enrollments in fully online programs.
- Total net revenues are expected to increase by \$35.5 million, significant changes can be attributed to:
 - \$22.5 million increase in grants and contracts from new awards.
 - \$22.3 million increase in net tuition and fee revenues from enrollment growth and tuition rate increase (an increase of 1% in base tuition and \$350 in new undergraduate mandatory fees).
 - \$2.0 million net increase in state general fund appropriations; of which \$3.2 million is one-time funding for operating & capital costs, \$1 million one-time special line item appropriation for the Center for the Philosophy of Freedom, (\$8.0 million) reduction in one-time capital funds from FY 2017, \$2.7 million for the transfer of Arizona Financial Aid Trust fund from the ABOR budget to the University budget, \$2.1 million for the Health Insurance Trust Fund (HITF) adjustment, \$0.9 million funding for the Arizona Geological Survey, and \$0.1 million net increase for the Research Infrastructure Capital Lease Payment and Risk Insurance adjustments.
 - (\$14.3 million) decrease in Other Revenues due primarily to a reduction in non-recurring revenues related to the Banner transition (\$10 million) and a reduction in College of Medicine Phoenix medical partner revenues (\$8.3 million), both offset by \$4M total increases in revenues from Investment Income, Land Grant, Administrative Service Charge, and Other Non-Operating revenues.
 - The FY18 revenue budget also includes an estimate of \$2.0 million in general purpose funds from Proposition 123 distributions. These funds were approved by voters in May 2016, and are distributed from land trust funds. While the funds were originally reported

and anticipated to be unrestricted, current statute defines the distribution of land trust funds as restricted, but permits the Board of Regents to waive the restriction as appropriate. The request for such a waiver is included in the system materials to be considered in the adoption of the budget.

- Expenditures reflect investments in major budget initiatives which were prioritized by student leaders, shared governance committees and University administration. These include:
 - Address faculty and staff salaries through multi-year, performance-based salary programs.
 - Address the State minimum wage mandate.
 - Increase funding raising and development activities through investment in development officers and support staff.
 - Grow faculty and staff to meet the needs of increasing enrollments.
 - Increase funding to support student financial aid, recruitment, retention and engagement.
 - Address facilities-related needs, including new facilities, deferred maintenance, and infrastructure.
 - Continue to identify savings and opportunities to reallocate funding from prior investments to support new initiatives. Examples include: debt refinance savings, elimination of funding for non-recurring activities, and reallocation of savings from reorganization and personnel changes.
- The FY2018 budget is a balanced budget which is expected to add to net position while maintaining a fairly consistent level of operating cash. The estimated days cash on hand for the FY 2018 year end is 184 days. The estimated increase to net position is \$35.1M (including the GASB adjustments for Other Post-Employment Benefits/OPEB & Pension liabilities).
- The amount of total investment in institutional financial aid is projected to increase for FY 2018. The budget includes a total increase of \$7.3 million from Regent's Set-aside and other institutional aid. The percentage of institutional tuition discount is expected to increase slightly to address retention and enrollment projections.
- FY 2018 is the fourth year of the guaranteed tuition program; therefore, nearly 98% of continuing undergraduates will not experience an increase in their tuition and mandatory fees for fall 2017.

Allocation of Incremental General Purpose Funds/Strategic Investments:

- Financial Aid, \$9.8 million – funding for Regent's Set-aside for Need-based aid is increasing by \$0.8 million and other institutional aid is increasing by \$6.3 million. Of the total, \$2.7 million is from AFAT and is a technical adjustment reflecting AFAT is now appropriated directly to the University's General Purpose Funds rather than to the ABOR budget.

- Faculty, Staff and Graduate Assistant Salary Adjustments, \$6.3 million – the University is focused on providing annual salary adjustments based upon performance in order to reward employees and improve its competitiveness in retaining this highly valued resource. In addition, the UA will adjust wages to meet the new State Minimum Wage mandate.
- Development Support, \$4.0 million – funding will provide for growth in the number of development officers and support staff. Returns on investments made in development/fund raising activities can be significant and help relieve pressures on overburdened traditional revenue sources such as student tuition and state appropriations.
- Enrollment Growth Related Expenditures and Retention & Recruitment of Faculty, \$3.0 million – funds are allocated to colleges through the Responsibility Center Management Model based upon activity and will be used for new faculty hires, and investment in instructional and academic support in order to meet the needs of increased enrollments.
- Retention & Recruitment of Faculty and Staff, \$2.0 million – funding is needed in order to provide equity/market adjustments to retain key faculty and staff and also to recruit new hires (provide competitive salaries and start-up funding) for key faculty/staff vacancies. Examples of key recruitments currently taking place: Deans of the colleges of Education and Fine Arts.
- Special Line Items \$1.9 million: Arizona Geological Survey \$0.9 million (on-going funding) and the Center for the Philosophy of Freedom \$1.0 million (one-time funding). This funding is provided by State special line item appropriation and will be used for the direct costs of operation of these two respective units.
- Student Recruitment, Retention and Engagement, \$1.5 million – these funds will enable expansion of programs to address student recruitment and retention needs which are the result of increased overall enrollments, as well as increase in the number of students who require additional academic preparation. In addition, this funding will be used to expand services required to support the 100% Engagement initiative.
- \$1.1 million increase in expenditures paid from student differential tuition and program fee revenues.
- Other various adjustments result in a \$2.2 million increase to the budgeted expenditures from General Purpose Funds. These include: \$2.1 million due to increase employer paid health insurance premiums due to the HITF adjustment, \$0.1 net increase due to the Research Infrastructure Capital Lease Payment and adjustment to risk insurance costs.



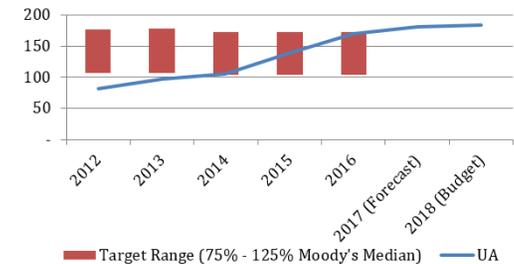
ANNUAL BUDGET

FY 2018 ANNUAL BUDGET (\$ millions)

	FY18 BUDGET	FY17 BUDGET	\$ VARIANCE BETWEEN FY17 AND FY18 BUDGET	% VARIANCE BETWEEN FY17 AND FY18 BUDGET
Revenues				
State General Fund Appropriation	\$ 254.8	\$ 253.1	\$ 1.7	0.7%
State Appropriation - Research Infrastructure	14.3	14.0	0.3	2.1%
Tuition and Fees	886.9	853.5	33.4	3.9%
<i>less Scholarship Allowance</i>	(223.3)	(212.2)	(11.1)	5.2%
Net Tuition and Fees	663.6	641.3	22.3	3.5%
Grants & Contracts -- Research	\$ 661.4	\$ 638.9	\$ 22.5	3.5%
Financial Aid Grants (Primarily Federal Pell Grants)	55.1	52.5	2.6	5.0%
Private Gifts	80.5	82.3	(1.8)	-2.2%
Technology & Research Initiative Fund (TRIF)	28.9	27.3	1.6	5.9%
Auxiliary Revenues, Net	215.6	215.0	0.6	0.3%
Other Revenues	133.5	147.8	(14.3)	-9.7%
Total Revenues	\$ 2,107.7	\$ 2,072.2	\$ 35.5	1.7%
Expenses				
Salaries and Wages	\$ 944.1	\$ 911.6	\$ 32.5	3.6%
Benefits	321.2	309.1	12.1	3.9%
All Other Operating	517.2	496.3	20.9	4.2%
Scholarships & Fellowships, Net of Scholarship Allowance	60.5	67.6	(7.1)	-10.5%
Depreciation	126.9	121.8	5.1	4.2%
OPEB/Pension Liability ¹	43.0	23.0	20.0	87.0%
Interest on Indebtedness	59.7	56.8	2.9	5.1%
Total Expenditures	\$ 2,072.6	\$ 1,986.2	\$ 86.4	4.3%
Net Increase	\$ 35.1	\$ 86.0	\$ (50.9)	-59.2%

MONTHLY DAYS CASH ON HAND
Monthly days cash on hand is projected to be 184 days at June 30, 2018.

Monthly Days Cash on Hand



¹ FY17 OPEB/Pension Liability is a Revision to FY17 Original



ANNUAL BUDGET

INCREMENTAL ALLOCATION OF GENERAL PURPOSE¹ FUNDS (\$ millions)

FY17 Base Budget **\$ 1,128.2**

Changes in Incremental Funding

State General Fund Appropriations	2.0
Other Revenues	5.3
Revenues from Tuition and Fees FY18	24.5

Net Change in Resources **31.8**

Allocation of Incremental Resources

Student Financial Aid	9.8
Employee Performance & Minimum Wage Adjustments	6.3
Development Support Initiative	4.0
Enrollment Growth & Program Support	3.0
Retention & Recruitment of Faculty	2.0
Special Line Items: AZ Geological Survey & Freedom Center	1.9
Student Recruitment, Retention, Engagement	1.5
Programs Supported by Fees	1.1
Research Infrastructure Debt Service	0.3
State-wide Adjustments for Risk Ins, Retirement, & HITF	1.9

Net Change in College and Administrative Budget Allocations **\$ 31.8**

FY18 Base Budget **\$ 1,160.0**

	Strategic Metric Addressed			
	Student Educational Success & Learning	Educational	Discover New Knowledge	Impact Arizona
Student Financial Aid	x	x		x
Employee Performance & Minimum Wage Adjustments	x	x	x	x
Development Support Initiative	x	x	x	x
Enrollment Growth & Program Support	x	x		x
Retention & Recruitment of Faculty	x	x	x	x
Special Line Items: AZ Geological Survey & Freedom Center		x		x
Student Recruitment, Retention, Engagement	x	x		x
Programs Supported by Fees	x	x		x
Research Infrastructure Debt Service	x	x	x	x
State-wide Adjustments for Risk Ins, Retirement, & HITF	x	x	x	x

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



ANNUAL BUDGET

STATE EXPENDITURE AUTHORITY BY APPROPRIATION CAMPUS (\$ thousands)

	FY18 BUDGET			FY17 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
University Revenues					
Resident Tuition	\$ 254,068.5	\$ 7,884.8	\$ 261,953.3	\$ 278,618.8	\$ (16,665.5)
Non Resident Tuition	416,534.3	4,171.8	420,706.1	403,958.6	16,747.5
Online Tuition Revenue	34,422.0	-	34,422.0	8,900.0	25,522.0
Program Fees	37,178.5	15,744.5	52,923.0	53,994.9	(1,071.9)
Miscellaneous Revenues ¹	(16,335.0)	26,164.4	9,829.4	7,348.4	2,481.0
Total University Revenues	\$ 725,868.3	\$ 53,965.5	\$ 779,833.8	\$ 752,820.7	\$ 27,013.1
University Revenues Retained for Local Uses					
Support for Local Operating Budgets	\$ 57,243.9	\$ -	\$ 57,243.9	\$ 42,914.7	\$ 14,329.2
Program Fees/Differential Tuition	30,628.9	-	30,628.9	32,452.8	(1,823.9)
Regents Financial Aid Set Aside	46,760.7	2,103.2	48,863.9	47,997.2	866.7
Other Financial Aid	148,211.2	2,113.3	150,324.5	143,894.6	6,429.9
Plant Funds	4,776.5	-	4,776.5	4,776.5	-
Debt Service/COPS/Lease Purchase	28,152.4	-	28,152.4	28,152.4	-
Total Retained for Local Uses	\$ 315,773.6	\$ 4,216.5	\$ 319,990.1	\$ 300,188.2	\$ 19,801.9
University Revenues Remitted to State (State Collections)	\$ 410,094.7	\$ 49,749.0	\$ 459,843.7	\$ 452,632.5	\$ 7,211.2
Plus: State General Fund Appropriation	199,600.9	69,437.7	269,038.6	267,124.4	1,914.2
Total State Expenditure Authority	\$ 609,695.6	\$ 119,186.7	\$ 728,882.3	\$ 719,756.9	\$ 9,125.4

¹ Miscellaneous Revenues include Federal Agriculture Payments, Summer Session Reimbursement, Land Grant, and other Miscellaneous Revenues. It also includes a tuition transfer from Main Campus to support units within the AHS Campus.



ANNUAL BUDGET

LOCAL COLLECTIONS

	FY18 BUDGET			FY17 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
LOCAL COLLECTIONS FROM TUITION AND FEES					
OPERATING FUNDS					
<u>DESIGNATED</u>					
Academic Initiatives & Student Success	\$ 23,000	\$ -	\$ 23,000	\$ 150,000	\$ (127,000)
Admissions Recruiting	3,639,700	-	3,639,700	3,058,500	581,200
ASUA	243,200	-	243,200	243,200	-
ASUA-Cart Service	12,300	-	12,300	12,300	-
AZ Assurance Program	20,000	-	20,000	20,000	-
AZ Outreach College	-	-	-	12,992,800	(12,992,800)
Dean of Students	932,600	-	932,600	652,900	279,700
Digital Innovation/Stewardship	4,900	-	4,900	-	4,900
Distributed Education Program	1,800,000	-	1,800,000	-	1,800,000
Early Alert Programs	5,000	-	5,000	5,000	-
Early Outreach	418,200	-	418,200	325,200	93,000
Enrollment Management	1,512,200	-	1,512,200	975,200	537,000
FM Student Recreation O&M	259,300	-	259,300	259,300	-
Graduate & Professional Student Council	239,000	-	239,000	239,000	-
Graduate College	396,700	-	396,700	346,700	50,000
Graduate Scholarships	669,400	-	669,400	719,400	(50,000)
Interpreting/Disabilities	164,200	-	164,200	164,200	-
Learning Disabilities Mandated Services	131,800	-	131,800	131,800	-
Library Acquisitions	461,200	-	461,200	461,200	-
Merchant Credit Card Banking Fees	433,200	-	433,200	433,200	-
Military/ROTC Programs	196,600	-	196,600	150,700	45,900
Minority Student Recruitment	185,200	-	185,200	185,200	-
Minority Summer Institute for Writing	13,500	-	13,500	13,500	-



ANNUAL BUDGET

LOCAL COLLECTIONS (Cont.)

	FY18 BUDGET			FY17 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
New Start	-	-	-	323,000	(323,000)
Office of the Registrar	1,091,000	-	1,091,000	844,100	246,900
Online Program Support	34,422,000	-	34,422,000	8,900,000	25,522,000
Student Affairs Fringe Benefits/Admin Support	-	-	-	4,235,000	(4,235,000)
Student Activities	9,000	-	9,000	9,000	-
Student Affairs Systems Group	1,237,800	-	1,237,800	931,700	306,100
Student Child Care Voucher Program	83,100	-	83,100	83,100	-
Student Engagement	44,600	-	44,600	-	44,600
Student Financial Aid Office	1,756,100	-	1,756,100	1,306,600	449,500
Student Learning Services	1,318,500	-	1,318,500	-	1,318,500
Student Programs	807,000	-	807,000	774,200	32,800
Student Services	1,687,400	-	1,687,400	1,039,900	647,500
Student Services Support - Student Union O&M	1,139,200	-	1,139,200	989,200	150,000
Student Transitions/Retention	485,000	-	485,000	235,500	249,500
Student Travel Support	50,300	-	50,300	50,300	-
Summer Session Operations	385,000	-	385,000	-	385,000
Sustainability Projects	600,000	-	600,000	600,000	-
UA Library Administration	260,100	-	260,100	-	260,100
UA Presents	24,600	-	24,600	24,600	-
Utilities	82,000	-	82,000	1,029,200	(947,200)
OPERATING FUNDS SUBTOTAL	\$ 57,243,900	\$ -	\$ 57,243,900	\$ 42,914,700	\$ 14,329,200
<i>FINANCIAL AID</i>					
Main Campus Financial Aid - ABOR Policy	46,760,700	-	46,760,700	45,325,800	1,434,900
UA South Campus Financial Aid - ABOR Policy	-	-	-	580,000	(580,000)



ANNUAL BUDGET

LOCAL COLLECTIONS (Cont.)

	FY18 BUDGET			FY17 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
Student Aid Awards (formerly tuition waivers)	139,842,300	2,113,300	141,955,600	135,435,900	6,519,700
College of Medicine Financial Aid - ABOR Policy	-	1,208,200	1,208,200	1,201,200	7,000
College of Medicine-Phx Financial Aid - ABOR Policy	-	895,000	895,000	890,200	4,800
Merit Based Financial Aid	3,619,300	-	3,619,300	3,619,300	-
SUBTOTAL	\$ 190,222,300	\$ 4,216,500	\$ 194,438,800	\$ 187,052,400	\$ 7,386,400
<u>MINOR CAPITAL PROJECTS/START UP FUNDS</u>	4,776,500	-	4,776,500	4,776,500	-
<u>DEBT SERVICE</u>	28,152,400	-	28,152,400	28,152,400	-
TOTAL LOCAL RETENTION FROM TUITION	\$ 280,395,100	\$ 4,216,500	\$ 284,611,600	\$ 262,896,000	\$ 21,715,600
LOCAL COLLECTIONS FROM PROGRAM FEES					
College of Architecture & Landscape Architecture	656,800	-	656,800	697,700	(40,900)
College of Agriculture and Life Sciences	1,167,900	-	1,167,900	1,990,200	(822,300)
College of Engineering	3,040,100	-	3,040,100	2,967,000	73,100
College of Fine Arts	430,300	-	430,300	412,100	18,200
College of Medicine-Tucson	42,100	-	42,100	32,200	9,900
College of Nursing	2,829,600	-	2,829,600	1,978,000	851,600
College of Pharmacy	4,973,800	-	4,973,800	4,706,200	267,600
College of Public Health	780,200	-	780,200	439,600	340,600
College of Science	691,400	-	691,400	838,400	(147,000)
College of Social and Behavioral Science	1,660,300	-	1,660,300	1,914,200	(253,900)
Eller College of Management	10,240,200	-	10,240,200	10,999,000	(758,800)
Honor's College	1,867,900	-	1,867,900	1,806,000	61,900
James E Rogers College of Law	2,248,300	-	2,248,300	3,672,200	(1,423,900)
SUBTOTAL	\$ 30,628,900	\$ -	\$ 30,628,900	\$ 32,452,800	\$ (1,823,900)



ANNUAL BUDGET

LOCAL COLLECTIONS (Cont.)

	FY18 BUDGET			FY17 BUDGET	CHANGE
	MAIN	AHS	TOTAL		
<i>FINANCIAL AID</i>					
College of Architecture & Landscape Architecture Financial Aid	106,900	-	106,900	113,500	(6,600)
College of Agriculture and Life Sciences Financial Aid	190,100	-	190,100	324,000	(133,900)
College of Engineering Financial Aid	494,900	-	494,900	483,000	11,900
College of Fine Arts Financial Aid	70,100	-	70,100	67,100	3,000
College of Medicine-Tucson Financial Aid	6,900	-	6,900	5,200	1,700
College of Nursing Financial Aid	460,600	-	460,600	322,000	138,600
College of Pharmacy Financial Aid	809,700	-	809,700	766,100	43,600
College of Public Health Financial Aid	127,000	-	127,000	71,600	55,400
College of Science Financial Aid	112,500	-	112,500	136,500	(24,000)
College of Social and Behavioral Science Financial Aid	270,300	-	270,300	311,600	(41,300)
Eller College of Management Financial Aid	1,430,500	-	1,430,500	1,347,000	83,500
Honor's College Financial Aid	304,100	-	304,100	294,000	10,100
James E Rogers College of Law Financial Aid	366,000	-	366,000	597,800	(231,800)
SUBTOTAL	\$ 4,749,600	\$ -	\$ 4,749,600	\$ 4,839,400	\$ (89,800)
TOTAL LOCAL RETENTION FROM PROGRAM FEES	\$ 35,378,500	\$ -	\$ 35,378,500	\$ 37,292,200	\$ (1,913,700)
TOTAL LOCAL COLLECTIONS	\$ 315,773,600	\$ 4,216,500	\$ 319,990,100	\$ 300,188,200	\$ 19,801,900

