

2015 ANNUAL REPORT

BOARD OF
Regents  ARIZONA'S PUBLIC
UNIVERSITIES

EDUCATE · DISCOVER · IMPACT

 ARIZONA STATE
UNIVERSITY

 NORTHERN
ARIZONA
UNIVERSITY

 THE UNIVERSITY
OF ARIZONA

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, 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.

FY 2015 Board Members

Chairman Mark Killian | Mesa

Vice Chair Jay Heiler | Paradise Valley

Treasurer Greg Patterson | Scottsdale

Secretary LuAnn Leonard | Polaca

Ram Krishna | Yuma

Rick Myers | Tucson

Ron Shoopman | Tucson

Bill Ridenour | Paradise Valley

Asst. Treasurer Mark Naufel | Student, ASU

Jared Gorshe | Student, NAU (undergraduate), ASU (graduate)

Governor Jan Brewer | Ex-Officio (term expired January, 2015)

Governor Doug Ducey | Ex-Officio (term began January, 2015)

Superintendent of Public Instruction John

Huppenthal | Ex-Officio (term expired January, 2015)

Superintendent of Public Instruction Diane

Douglas | Ex-Officio (term began January, 2015)

Mission

Arizona's public university enterprise exists to provide opportunities for learning, discovery, research, public service and economic development for Arizona residents and the global community.

Updating the ABOR strategic plan and financial model with the state

Amidst the significant financial challenges facing higher education in our nation and particularly in Arizona, the board has sought to update its strategic plan over the past year and propose a new financial model with the state. Gov. Ducey also addressed the board earlier in this fiscal year asking for a refashioned strategic plan that provided a sustainable path forward, relying on the state as only one of its financial partners. In addition, the governor requested the plan include strategies on how to strengthen relationships with K-12 and community colleges to create more alignment in college readiness and degree attainment.

This work began in earnest under the leadership of previous ABOR Chair Mark W. Killian. While outside of the time parameters for this annual report (FY 2015), it is worth noting that the board just recently approved an updated strategic plan and proposed state support financial model. The plan, in recognizing higher education benefits both individuals and the state, requests the state grow its support of resident students to 50 percent over time. Currently, the state funds about 34 percent of a resident student's cost of education, with public universities currently operating at a net loss for Arizona resident students. In fiscal year 2008, the state funded 72.2 percent and in FY 1998, 88.4 percent.

As stewards of the Arizona's public university system, this aggressive plan includes producing enough high-quality university degrees for the state to be nationally competitive by the year 2020, increasing student success and fostering economic prosperity, thereby ultimately fostering a high quality of life for Arizonans.

System productivity up

Arizona's universities continue to make significant progress on their efforts to increase university degree productivity. For the 2013-14 academic year, the university system awarded 25,785 bachelor's degrees, exceeding its original target by 1,638 degrees. Overall, bachelor's degree productivity is up 22.1 percent since 2009-10.

Bachelor's Degrees Produced*

	2009-10	2010-11	2011-12	2012-13	2013-14	2010-14 Change	% Change
Arizona University System	21,110	22,214	23,842	24,920	25,785	4,675	22.1
Arizona State University	11,810	12,194	13,210	13,913	14,381	2,571	21.7
Northern Arizona University	3,473	3,825	4,281	4,513	5,034	1,561	44.9
University of Arizona	5,827	6,195	6,351	6,494	6,370	543	9.3

FY 2014 data is the most current available. FY 2015 will be available at the end of the 2015 calendar year.

Total degrees awarded

Arizona's public university system is the primary entity awarding post-secondary degrees to Arizona residents and fulfills a critical role in preparing the state's future workforce.

In 2013-14, the Arizona university system awarded 25,785 bachelor's degrees and 9,417 graduate degrees. This is an increase of 865 (3.4 percent) in bachelor's degrees and an increase of 369 (4 percent) in graduate degrees compared to the prior academic year.

Compared to 10 years ago, the universities have increased the number of bachelor degrees awarded by 8,427 (48.5 percent) and the number of graduate degrees by 1,694 (21.9 percent).

In 2013-14, Arizona State University awarded the largest number of bachelor's degrees at 14,381 (55.8 percent), followed by the University of Arizona at 6,370 (24.7 percent), and Northern Arizona University at 5,034 (19.5 percent).

For graduate degrees awarded in 2013-14, Arizona State University conferred 5,380 (57.1 percent), followed by the University of Arizona which conferred 2,576 (27.4 percent), and Northern Arizona University which conferred 1,461 (15.5 percent).

To be on track to achieve the stated 2020 goal, we estimated a need to award 24,147 degrees in 2013-14. The universities are approximately 1,638 bachelor degree awards above that projection.

University System Degrees Awarded

	2009-10	2010-11	2011-12	2012-13	2013-14
Undergraduate	21,110	22,214	23,842	24,920	25,785
Graduate	8,521	9,076	8,914	9,048	9,417
System Total	29,631	31,290	32,756	33,968	35,202

**FY 2014 data is the most current available. FY 2015 will be available at the end of the 2015 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 FY 2015, the university system boasted more than 1,500 bachelor's degree pathway programs between Arizona's community colleges and universities, with classes offered online 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 2014-15 academic year is as follows:

2014-15 Academic Year Enrollment

	Headcount	FTE
Arizona State University	83,301	81,091
Northern Arizona University	27,396	25,759
University of Arizona	42,236	40,080
Arizona University System	152,933	146,930

Between fall 2013 and fall 2014, headcount enrollment in the Arizona public university system rose 6.4 percent with undergraduate enrollment up 6.8 percent and graduate enrollment up 4.9 percent. Overall, Arizona State University reported an increase of 8.5 percent, Northern Arizona University reported a 4.1 percent increase, and the University of Arizona reported a 4 percent increase. This is the largest percentage increase in enrollment since fall 1975.

Total enrollment is at the record level of 152,933, an increase of 9,233 over a year earlier. Undergraduate enrollment at 124,063 is at a record level as well while graduate enrollment at 28,870 is up 1,336 students from a year earlier.

Full-time equivalent enrollment (FTE) rose 5.5 percent for undergraduate students and 4.5 percent for graduate students in fall 2014 compared to fall 2013. Overall, FTE enrollment was up 5.3 percent, compared to 6.4 percent for headcount enrollment. At Arizona State University, FTE enrollment grew 6.4 percent while Northern Arizona University reported 4.5 percent growth and the University of Arizona reported 3.9 percent growth.

Headcount and FTE enrollment in the last five years have grown 13.7 percent and 14.8 percent respectively.

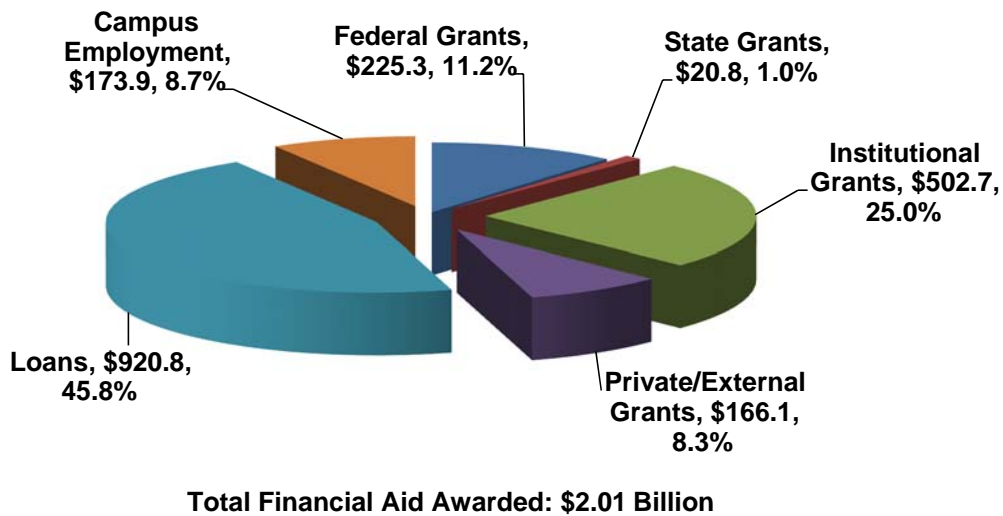
Financial aid for Arizona students on the rise

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 FY14, total financial aid from all sources in the university system amounted to \$2.01 billion, an increase of 5 percent over last year. The largest sources of financial aid awards were student loans, scholarships and grants provided by the universities, approximately 46 percent and 25 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. The FY14 set-aside amounted to \$192 million. The universities go above and beyond the board requirement for financial aid. In 2013-14, the universities provided \$502.7 million in institutional scholarships and grants, an increase of 10 percent over last year's level.

**SOURCES AND TYPES OF FINANCIAL AID AWARDED
Arizona University System - 2013-14**



For FY 2014, approximately 89 percent of the university system's students were awarded some form of financial aid.

- Approximately \$921 million in student loans was awarded to university students, accounting for 46 percent of financial aid awards.
- Twenty-five percent of assistance came from institutional scholarships and awards, amounting to \$503 million.
- State aid accounted for 1 percent, or \$21 million.

For FY 2015, it is estimated that the total institutional scholarship and grant amount given to students will be \$517 million, a 10 percent increase from FY 2013.

Estimated FY 2015 Financial Aid Awards in Millions

	Academic Scholarships	Regents Set Aside	Other Awards	Total
ASU	\$ 109.0	\$ 121.1	\$ 24.3	\$ 254.4
NAU	\$ 41.6	\$ 22.6	\$ 10.9	\$ 75.1
UA	\$ 112.2	\$ 48.6	\$ 26.9	\$ 187.7
Arizona University System	\$ 262.8	\$ 192.3	\$ 62.1	\$ 517.2

Tuition Set-Aside in Millions

	FY14	FY15
ASU	\$ 117.6	\$ 121.1
NAU	\$ 21.9	\$ 22.6
UA	\$ 52.5	\$ 48.6
Arizona University System	\$ 192.0	\$ 192.3

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 spaces that support the academic, research and community outreach missions of the institutions. The university building system in FY 2015 consisted of 41.1 million square feet in 1,705 academic, support and auxiliary facilities. The replacement value for these facilities is estimated to be \$10.6 billion.

Arizona State University

Arizona State University did not have any major projects that were completed in FY 2015; however, ASU did complete a number of renovations, improvements and upgrades to existing classroom, research and other support facilities.

Northern Arizona University

Northern Arizona University completed the Phoenix Biomedical Campus build-out and an initial phase of energy system upgrades that will generate significant utility savings and utility cost avoidance.

University of Arizona

The University of Arizona completed its portion of the Phoenix Biomedical Campus build-out and renovation of Old Main and McKale Memorial Center. In addition, UA completed construction of the Environment and Natural Resources Phase 2 building and the Cancer Center in Phoenix.

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 FY 2015 totaled \$107.5 million. Between 2005-2015, the formula was only funded twice: \$20 million in 2007 and \$3 million in 2015. This funding represented just a fraction of total needs, leaving a backlog of nearly \$511 million in deferred maintenance in FY 2015.

The following table provides the building inventory for FY 2015 (as of June 2013) and the annual building renewal formula requirements by institution:

Arizona University System FY 2015 Building Inventory and Building Renewal Formula

	ASU	NAU	UA	Total
Number of Facilities	889	114	692	1,705
Gross Square Feet	18,927,648	6,460,750	15,752,316	41,140,714
Est. Replacement Value	4,495,033,021	1,689,056,678	4,436,422,019	10,620,511,718
FY 2015 Building Renewal	37,768,998	12,001,560	57,709,916	107,480,474

Source: 2015-17 Capital Improvement Plans

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 offer diverse choices for degrees

In FY 2015, the Arizona University System offered 456 bachelor's degree programs, 380 master's degree programs, 212 doctoral degree programs and three first professional degrees, 148 undergraduate certificate programs, 160 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 112 bachelor's degree programs, 135 master's degree programs, 84 doctoral degree programs, 63 undergraduate certificate programs and 32 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; School of Sustainability; College of Letters and Sciences; and Barrett, The Honors College.

Arizona State University at the West Campus offered 51 bachelor's degree programs, 12 master's degree programs, two doctoral degree program, nine undergraduate certificate programs and four 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; College of Health Solutions; College of Letters and Sciences; College of Liberal Arts and Sciences; and Barrett, The Honors College.

Arizona State University at the Polytechnic Campus offered 44 bachelor's degree programs, 18 master's degree programs, three doctoral degree programs, seven undergraduate certificate programs and four graduate certificate programs. Programs are offered through: W.P. Carey School of Business; Ira A. Fulton Schools of Engineering; College of Health Solutions; College 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 30 bachelor's degree programs, 31 master's degree programs, 18 doctoral degree programs, 18 undergraduate certificate programs and 22 graduate certificate programs. Programs are offered through: College of Nursing & Health Innovation; College of Health Solutions; College of Public Service and Community Solutions; Walter Cronkite School of Journalism and Mass Communication; College of Letters and Sciences; College of Liberal Arts and Sciences; Mary Lou Fulton Teachers College; School of Sustainability; and Barrett, The Honors College.

Northern Arizona University offered 91 bachelor degree programs, 49 master degree programs, 11 doctoral degree programs, 46 baccalaureate certificate programs and 27 master certificate programs. Programs are 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 128 bachelor's degree programs, 135 master's degree programs, 94 doctoral degree programs, three first professional programs, four specialist programs, 71 graduate certificates and five undergraduate certificates in colleges and 24 schools.

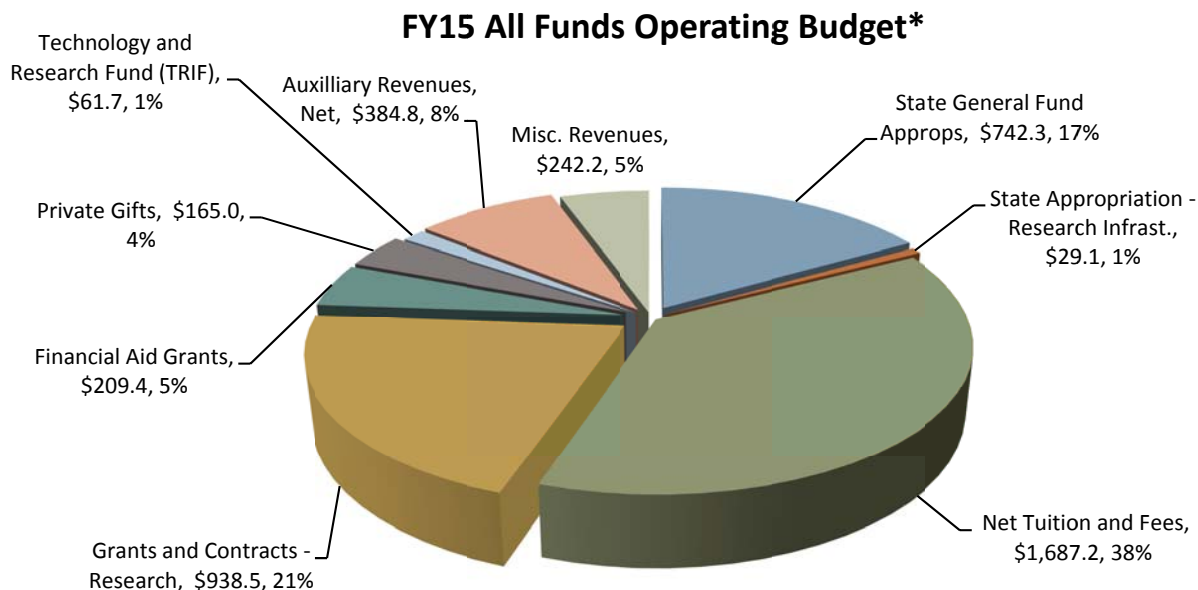
The colleges include the College of Agriculture and Life Sciences; College of Architecture, Planning and Landscape Architecture; College of Education; Eller College of Management; College of Engineering; College of Fine Arts; College of Humanities; Colleges of Letters, Arts and Science; College of Medicine – 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 2015 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:

- \$1,687.2 billion in net tuition and fees;
- \$938.5 million in grants and contracts; and
- \$771.4 million in state general fund appropriations.



**estimated with actuals available in Nov. 2015*

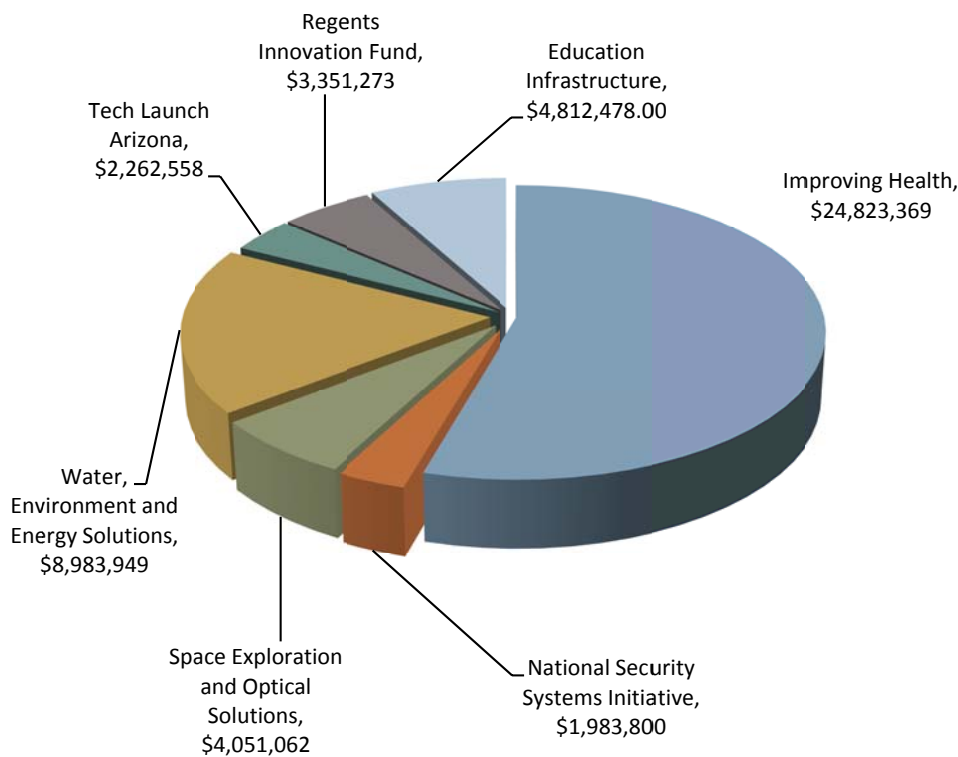
Technology and Research Initiative Fund

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 \$64.2 million in TRIF funds in FY 2015. 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:

FY 2014 TRIF Funds

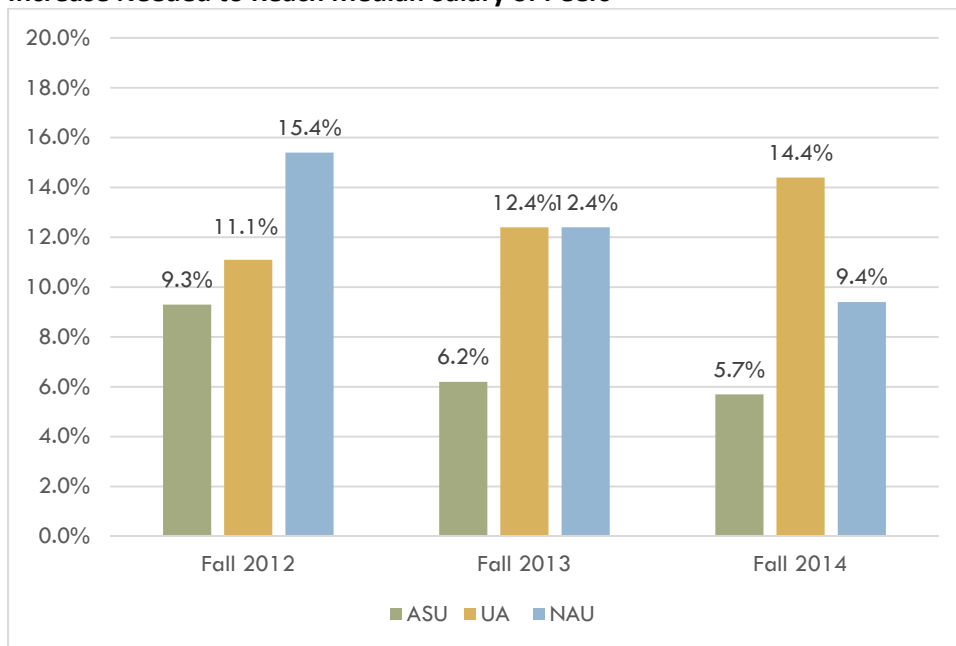


Annual personnel report

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 FY12-15 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, 11 of the 15 peer universities pay higher average salaries than ASU; For NAU, 10 of the 15 peer universities pay higher average salaries; and for UA 14 of the 15 peer universities pay higher average salaries.
- Average faculty salaries range from \$6,100 to \$14,300 (up to 14 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 2017, an estimated \$154.2 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 2017 projected unmet salary is an increase of \$13.8 million from the \$140.4 projected for FY 2016.

Conclusion

Central to all of the endeavors undertaken by the Arizona Board of Regents and the university enterprise is the success of our students, who will provide the next generation of qualified workers for our state. Each of our universities carries a differentiated mission to enable accomplishing this goal for resident students as well as those who come to our universities from throughout the world. Arizona's public universities are vital components of our state's landscape, driving public knowledge, conducting life-changing research that transfers to the marketplace and bringing the benefits of the universities to Arizona.