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September 28, 2011

Members of the Arizona Legislature

The Honorable Janice K. Brewer, Governor

Mr. Fred DuVal, Chair  
Arizona Board of Regents

Dr. Tom Anderes, President  
Arizona Board of Regents

Transmitted herewith is a report of the Auditor General, *A Questions-and-Answers document on the Arizona Board of Regents—Tuition Setting for Arizona Universities*. This document was prepared in response to a November 3, 2009, resolution of the Joint Legislative Audit Committee. This work was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq.

Our questions-and-answers documents were created to provide answers to multiple questions on a particular subject area. We hope that these questions-and-answers documents will fill a need and provide you with timely and useful information on topics of particular interest.

My staff and I will be pleased to discuss or clarify items in the report.

This report will be released to the public on September 29, 2011.

Sincerely,

Debbie Davenport  
Auditor General

Attachment

cc: Arizona Board of Regents Members

## QUESTIONS and ANSWERS

### Summary

Arizona Revised Statutes (A.R.S.) §15-1626 establishes the Arizona Board of Regents' (Board) powers and duties. One of the Board's most important responsibilities is to set tuition for the State's three universities. Statute prescribes various requirements that the Board must follow in setting tuition and the Board has established policies that incorporate these requirements, including obtaining student input and conducting at least one public hearing on proposed tuition changes. Each university uses tuition revenues along with other revenues to support activities such as student instruction and student services. Reductions in state funding for the universities have contributed to increases in tuition rates, but many students pay less than the published tuition rate and the universities have taken steps to mitigate the impact of tuition increases on students.



2011

### Question 1: What are the legal requirements for setting state university tuition in Arizona?

**Arizona's Constitution, state statutes, and a 2007 Arizona Supreme Court decision establish and clarify the legal requirements related to setting tuition at the State's universities. The Board is responsible for setting tuition at each state university, and it must comply with statutory requirements to do so, including holding public hearings. The Supreme Court determined that the question of whether tuition is as nearly free as possible as required by the Arizona Constitution is a political question that is not subject to judicial review.**

The Board's statutory duties include setting tuition and fees for Arizona's universities. Specifically, the Board must:

- Set the tuition and fees to be charged;
- Differentiate the tuitions and fees between institutions and between residents, nonresidents, undergraduate students, graduate students, students from foreign countries, and students who have earned credit hours in excess of the credit hour threshold;
- Adopt rules for tuition and fee setting that include holding public hearings on tuition at each university, publication of the notice of hearing, public disclosure by each university of any proposed increase, and final board action by roll call vote;<sup>1</sup>
- Submit budget requests to the Governor that include tuition and fee revenues that are available to support university programs; and
- Annually adopt an operating budget for each university equal to the sum of appropriated State General Fund monies and the amount of tuition, fees, and other revenues approved by the Board and allocated to each university.

For information on the board's policies regarding the tuition and fee-setting process, see Question 2, pages 2 through 5.

The Board believes that the constitutional requirement that instruction be provided as nearly free as possible does not mean that tuition must be set as low as possible. Further, according to board and university officials, several factors influence the costs that Arizona's universities incur to operate and provide instruction, which, in turn, influences board decisions regarding tuition rates. In a February 2010 internal report, the Board explained that these factors include decisions about the level and quality of instruction that the university will provide, the universities' differentiated missions, and the source and amount of other revenues to help pay for costs, such as the amount of monies appropriated by the Legislature. Additionally, as discussed further in Question 5 (see pages 11 through 13), most students do not pay the full tuition rates. Rather, scholarships, grants, and other financial aid help to reduce the amount of tuition that most students actually pay.

<sup>1</sup> A.R.S. §41-1005(D) exempts the Board from review of its rules by the Governor's Regulatory Review Council. The Board publishes its rules and policies relating to its governance and duties in a policy manual.

In 2007, the Arizona Supreme Court commented on the Board's legal authority to set tuition in its decision regarding a suit four students filed against the Board, known as *Kromko v. Arizona Board of Regents*. The students in the Kromko case argued that the Board violated the constitutional provision requiring that university instruction be furnished as

nearly free as possible when it raised tuition by 39.1 percent for the 2003-2004 academic year. However, the Arizona Supreme Court decided that the Board's tuition-setting decision was not subject to review by the judicial branch because other branches of government are entrusted to make such decisions without intervention from the courts.<sup>1</sup>

**Question 2: What is the process the Board uses to set tuition?**

**Board policy governs the tuition-setting process. This policy requires that the three universities develop and present tuition proposals to the Board. The universities review several factors when developing tuition proposals, and then the Board must consider several factors required by board policy when setting tuition. The factors the Board reviews are similar to factors reviewed by other states when setting tuition.**

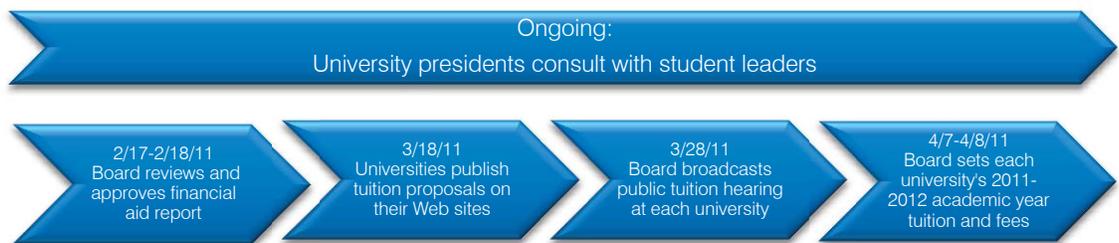
The Board has established its tuition-setting process in board policy. As required by A.R.S. §15-1626, the Board's policy includes obtaining student input regarding tuition, public disclosure by each university president of any proposed increases in tuition and fees, and providing at least one public hearing on proposed tuition rate changes broadcast at each university. When setting tuition, the Board adopts a calendar for completing this process. For example, Figure 1 illustrates the timeline the Board adopted to set tuition for the 2011-2012 academic year, including communication

between the university presidents and student leaders that occurred throughout the process.

The Board's process for setting tuition and fees includes the following steps:

- **Board reviews financial aid report**—Prior to setting tuition, the Board reviews and approves a student financial aid report that enables it to measure the new need for financial aid that would be created by tuition increases and prepare to provide financial aid to meet the need. The financial aid report is compiled by board staff from information provided by the three universities and includes system-wide information as well as details about each university. For example, the report contains prior year information about the sources, types, and amounts of financial aid; number of students awarded financial aid, in total and according to minority status and family income level; and the average net tuition students paid after subtracting gift aid.<sup>2</sup> The report also contains the universities' financial aid plans for the current and coming years, including projected award amounts and estimates of financial aid as a percentage of tuition and fee revenue.
- **Universities obtain student input**—Prior to requesting any tuition or mandatory fee increase,

Figure 1: Board's 2011-2012 Academic Year Tuition-Setting Timeline



Source: Auditor General staff analysis of the Board's December 2010 board book.

<sup>1</sup> *Kromko v. Arizona Bd. of Regents*, 216 Ariz. 190, 165 P.3d 168 (Ariz., 2007).

<sup>2</sup> Gift aid is financial aid that does not need to be earned or repaid.

the universities must engage in student consultation. Specifically, the universities must consult with elected student representatives and consider student fee referenda or organized opinion-gathering from students.

- **Universities publish recommended increases**—At least 10 days prior to the public hearing, the universities must publicly disclose their proposals for any recommended increases in tuition and/or fees. The universities publish this information on their Web sites.
- **Board publishes notice of hearing**—At least 10 days prior to the public hearing, the Board must publish a notice of hearing on its Web site and in newspapers in Maricopa, Coconino, and Pima Counties; and distribute the notice state-wide.
- **Board conducts public hearing**—One week prior to the board meeting in which the Board is asked to approve tuition and fees, the Board must conduct at least one public hearing on the proposed increases. The hearing must be broadcast to at least one location at each Arizona university and other locations throughout the State. At the public hearing, the Board receives comments from students and others regarding the universities' recommendations.
- **Board decides on tuition and fees**—In a public meeting, the Board's final tuition and fee-setting actions must be taken by roll call vote.

**Universities consider several factors in developing proposed tuition and fees**—Before it sets tuition and fees, the Board requires each of the three universities to provide a tuition and fee proposal. According to university officials, university staff review and analyze several factors to develop tuition and fees proposals. As previously mentioned, throughout the entire tuition-setting process, university presidents consult with student leadership about these factors during formal and informal meetings.

All three universities reported reviewing the following four general factors when developing proposed tuition and fee rates:

- **Enrollment**—Each university considers project-

ed enrollment growth and the cost associated with those projections. In addition, each university considers retention rates for existing students. For example, Northern Arizona University (NAU) uses enrollment data from previous years together with previous attrition and retention rates to estimate enrollment for the coming year.

- **State General Fund appropriations**—The universities review the amount of State General Fund appropriations from previous years as well as the projections for the upcoming academic year (see Question 4, pages 8 through 10, for additional information on state funding and its effect on tuition).
- **Financial aid**—Each university reviews the projected amount of revenue that it will have available in institutional financial aid.<sup>1</sup> In addition, each university considers projected financial aid from outside sources, such as from the federal Pell grant. (See Question 5, pages 11 through 13, for more information about financial aid.)
- **University debt service**—Each university considers its debt service on capital building projects that are supported by tuition revenues.

In addition to these general factors that all of the universities consider, each university considers other specific factors when developing its tuition and fee proposal. For example, although all the universities consider enrollment growth and student retention, NAU also considers enrollment in its pledge program.<sup>2</sup> Similarly, although all three universities consider State General Fund appropriations, University of Arizona (UA) officials reported that UA also examines its costs using the Delta Project on Postsecondary Education Costs, Productivity, and Accountability's model and according to Arizona State University (ASU) officials, ASU considers new initiatives, such as the development of new instructional technology and delivery methods, that will require the university to make an up-front investment.<sup>3</sup>

**Board policy establishes factors it must consider in determining tuition and fees**—The Board's tuition policy, updated in April 2011, sets forth eight factors the Board must consider when setting tuition

<sup>1</sup> Board policy requires that a formula-determined portion of tuition revenue be used for financial aid at each university. However, continued tuition growth and board-approved changes to the formula have resulted in large increases to the set-aside amount. (See Question 4, pages 8 through 10, for more information.)

<sup>2</sup> For undergraduate students enrolling full-time at the Flagstaff campus, NAU's pledge program promises freshmen and transfer students that they will pay the same tuition for 4 years and current students the same tuition for up to 8 semesters, as long as they meet program requirements. (See Question 6, pages 13 through 16 for additional information.)

<sup>3</sup> The Delta Project on Postsecondary Education Costs, Productivity, and Accountability's model comprises spending on instruction and student services, plus the instruction-related share of spending on academic support, institutional support, and operations and maintenance.

and fees (see textbox). The April 2011 policy update eliminated a previous requirement that the Board set each university's tuition in the bottom third of tuition rates for the senior public universities in all 50 states.<sup>1</sup> However, in addition to factors such as the amount of state support provided to the university system and the amount and availability of student financial aid, the updated tuition policy still requires the Board to consider the median of tuition and fees charged by each university's board-approved peers. According to a board official, the Board updated its policy to allow the Board flexibility to respond to reductions in state funding levels. Board staff provide the Board with information relating to these factors for each university. In addition, board staff perform analyses of these factors on a university system level. The Board reviews these tuition-setting factors and the information provided by its staff and the universities. After the Board has reviewed these factors, it sets tuition and fees for each of the three universities by a roll call vote.

#### **Other states consider similar factors—**

Other states review a variety of factors when setting tuition, several of which are comparable to the factors that the Board considers. Auditors reviewed a February 2011 report published by the State Higher Education Executive Officers (SHEEO) entitled *State Tuition, Fees, and Financial Assistance Policies*.<sup>2</sup> The report presented the results of a survey of 45 states, including Arizona, and provided information on the states' policies and guiding philosophies for setting tuition and fees at public colleges and universities. According to the SHEEO report, many different factors affect decision making about tuition levels for resident undergraduate students. However, as shown in Table 1 (see page 5), the survey found that the amount of state general fund appropriations was the most influential factor considered when setting resident undergraduate tuition. Other influential factors included the previous year's tuition and tuition charged by peer universities. The five most influential factors nationally were also the most influential in Arizona, including three of the factors the Board is explicitly required to consider according to its policy.

#### **Factors considered by Board in tuition and fee setting**

1. The amount of state support provided to the university system.
2. The amount and availability of student financial aid.
3. The median of tuition and mandatory fees charged by the university's peers.<sup>1</sup>
4. Other student fees and charges established by each university such as special fees for select academic programs.
5. The total cost of university attendance, including student living expenses and books.
6. Revenues required to meet university bond and other debt obligations for capital projects.
7. Arizona's median family income.
8. Evidence of student consultation, including:
  - Information and feedback from elected student representatives; and
  - Consideration of results from student fee referenda or of organized opinion-gathering from students.

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<sup>1</sup> In 2009, each university selected and the Board approved groups of peers that have comparable missions and purposes to each university. The Board and universities use the peers as benchmarks for various aspects of university operations.

Source: Board Policy 4-101.

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<sup>1</sup> Senior public universities were defined as the universities in each state identified by the board president. For example, California's senior public university on the Board's comparison list for the 2009-2010 academic year was the University of California—Berkeley.

<sup>2</sup> State Higher Education Executive Officers (2011). *State tuition, fees, and financial assistance policies for public colleges and universities 2010-11*. Boulder, CO: Author.

Table 1: Most Influential Factors Affecting Resident Undergraduate Tuition in 45 States<sup>1</sup>  
February 2011

Factor	No Influence	Minimal Influence	Moderate Influence	Significant Influence	Controlling Influence	Rank
State general fund appropriations	0	0	3	33	8	1
Prior year's tuition	1	7	14	21	1	2
Institutional mission	5	5	16	17	0	3
Tuition charged by peer institutions	2	11	17	11	3	4
Availability of appropriations for financial aid	3	11	15	14	1	5

<sup>1</sup> Forty-five states responded to the survey. Not all states responded to every question.

Source: Auditor General staff analysis of State Higher Education Executive Officers. (2011). *State tuition, fees, and financial assistance policies for public colleges and universities 2010-2011*. Boulder, CO: Author.

### Question 3: How do the universities use tuition revenues?

Each university uses tuition revenues in combination with State General Fund appropriations and other unrestricted revenues to support the university's various operations, which include:

- Primary mission of student instruction, academic support, research, and public service;
- Student-centered services, including scholarships; and
- Institutional administration and other support, including facilities maintenance, building construction and renovation, and debt repayment.

**Universities combine tuition and fees with other revenues**—The three state universities reported more than \$1.3 billion in tuition and fee revenues in fiscal year 2010 and more than \$1.5 billion in fiscal year 2011 (see Table 2, page 6). Additionally, as shown in Table 2, for fiscal years 2010 and 2011, tuition and fees, State General Fund appropriations, and other unrestricted revenues totaled approximately \$2.6 billion and \$2.7 billion,

respectively.<sup>1</sup> Tuition and fees have made up an increasing portion of the universities' total unrestricted revenues, accounting for 45.1, 52.1, and 56.3 percent of the total in fiscal years 2009, 2010, and 2011, respectively. (See Appendix A, Table 6, pages a-i through a-iii, for the university system's and each university's combined revenues and related uses of revenues for fiscal years 2007 through 2011.)

**Universities use these combined monies for a variety of purposes**—As shown in Figure 2 (see page 7), the universities use the combined revenues to support the following:

- **Primary mission of student instruction, academic support, research, and public service**—Student instruction, academic support, research, and public service are central to the universities' missions and account for most university expenses. The largest costs in this category are for faculty salaries, other student instruction costs such as classroom supplies and equipment, and academic support. Academic support includes library services, information technology, and curriculum development. In addition, this category includes a portion of the universities' research and public service costs (see Figure 2, page 7). In fiscal years 2010 and 2011, the

<sup>1</sup> The universities do not track expenses tied to tuition and fee revenue separately from expenses stemming from other unrestricted revenues, such as State General Fund appropriations. Unrestricted revenues can be used for any university purpose, in contrast to restricted revenues, such as federal research grants, that may only be used to pay for specific projects.

Table 2: Arizona University System Tuition and Fees and Other Combined Unrestricted Revenues<sup>1</sup>  
Fiscal Years 2009 through 2011  
(In Thousands)

	2009 (Actual)		2010 (Actual)		2011 (Estimate)	
	Amount	Percent	Amount	Percent	Amount	Percent
Gross tuition and fees <sup>2</sup>	\$ 1,112,574	45.1 %	\$ 1,335,141	52.1 %	\$ 1,529,278	56.3 %
State General Fund appropriations	920,391	37.3	873,054	34.0	873,961	32.2
Governmental and private gifts, grants, and contracts <sup>3</sup>	305,915	12.4	231,707	9.0	164,538	6.1
Other	128,554	5.2	124,116	4.9	146,863	5.4
Total combined revenue sources	<u>\$ 2,467,434</u>	<u>100.0 %</u>	<u>\$ 2,564,018</u>	<u>100.0 %</u>	<u>\$ 2,714,640</u>	<u>100.0 %</u>

<sup>1</sup> The table includes only tuition and fees, State General Fund appropriations, and other combined unrestricted revenues.

<sup>2</sup> The gross tuition and fees amount is not reduced to reflect the amount the universities must set aside for financial aid under the Board's financial aid set-aside program. For example, in its fiscal year 2011 state expenditure authority, the Board required the universities to use a total of \$123.7 million for this program based on estimated tuition and fee revenues. In addition, the amount is not reduced to reflect other tuition waivers from institutional scholarships that the universities award to their students.

<sup>3</sup> Includes only those gifts, grants, and contracts that were not for restricted purposes. For example, it includes the American Recovery and Reinvestment Act State Fiscal Stabilization Fund Program monies the universities received. The purpose of these monies was to help restore the shortfall of state-appropriated funding for higher education.

Source: Auditor General staff analysis of financial information received from ASU, NAU, and UA for fiscal years 2009 through 2011.

universities spent a total of nearly \$1.35 billion and approximately \$1.4 billion, respectively, from the combined pool of unrestricted monies to support these activities.

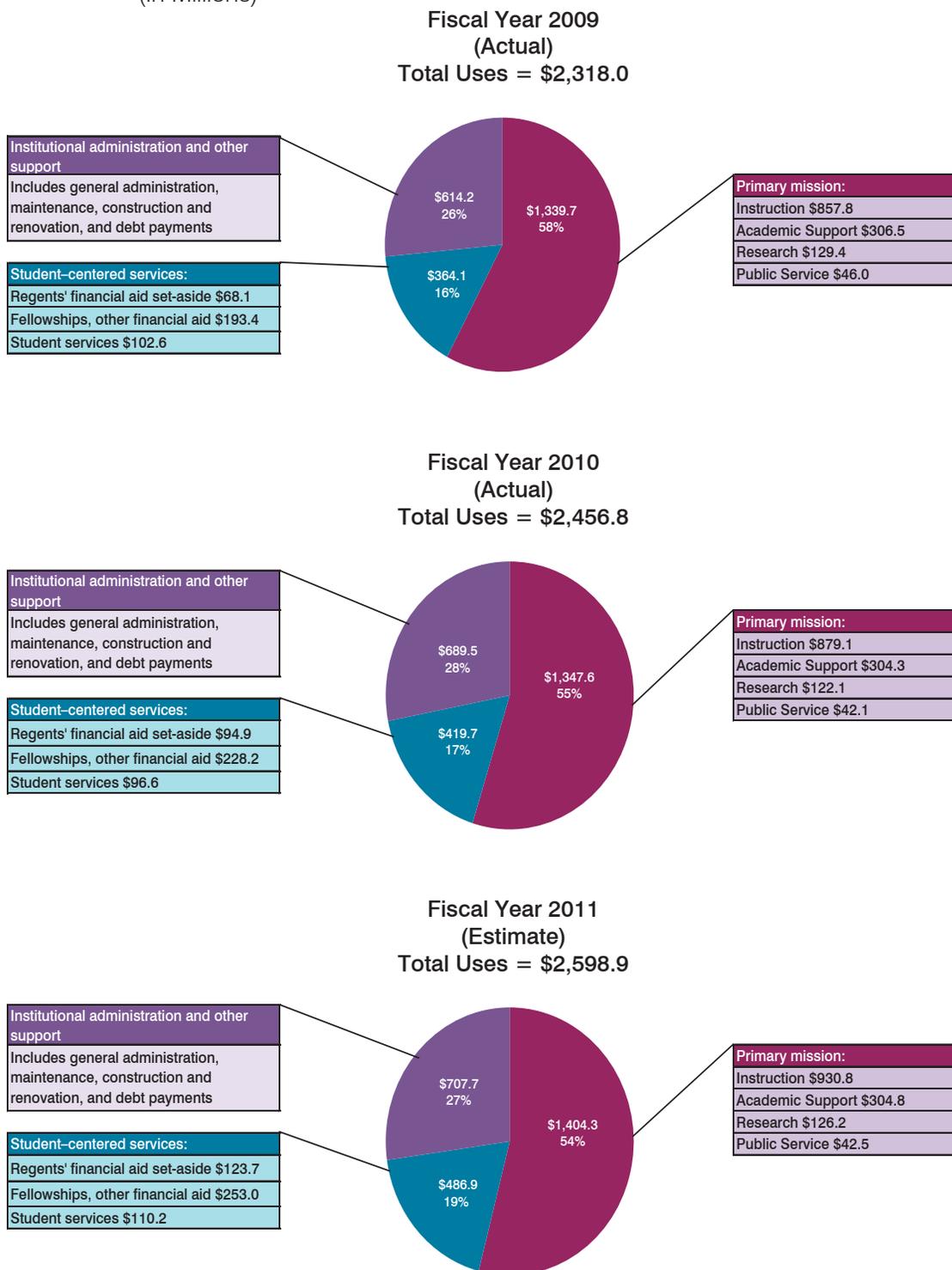
- **Student-centered services**—The universities use these combined revenues to provide scholarships and fellowships to qualifying students and to provide other support to students. Other support includes career guidance, counseling, student health services, admissions and registration assistance, and student organizations. In fiscal years 2010 and 2011, university spending for student-centered services totaled approximately \$419.7 million and \$486.9 million, respectively.

- **Institutional administration and other support**—

Lastly, the universities use these combined revenues to pay for other operating costs such as general administration, facilities maintenance, utilities, and some building construction and renovation. In addition, the universities pay interest and principal on university debt, such as their revenue bonds. The bond debt was issued primarily to help finance the construction and renovation of campus instructional and student activity buildings and for on- and off-campus student housing.<sup>1</sup> In fiscal years 2010 and 2011, university spending for institutional administration and other support totaled approximately \$689.5 million and \$707.7 million, respectively.

<sup>1</sup> Revenue bonds are securities in which the university pledges various revenue sources to repay the principal plus periodic interest payments. The universities pledge a pool of revenues, including tuition and fees, to repay revenue bonds.

Figure 2: Uses of Tuition and Fees and Other Combined Unrestricted Revenues<sup>1</sup>  
Fiscal Years 2009 through 2011  
(In Millions)



<sup>1</sup> Only uses of tuition and fees and other combined unrestricted revenues are included. Therefore, uses of other revenues that the universities receive are not included. For example, in fiscal year 2010, the universities spent a total of \$606.9 million on research and \$138.4 million on public service from all revenue sources. Only \$122.1 million and \$42.1 million, respectively, were included in this figure because that was the portion paid for with tuition and fees and other combined unrestricted revenues. The majority of research and public service costs are paid for with federal, state, and private grants and contracts that are restricted to a specific project or program.

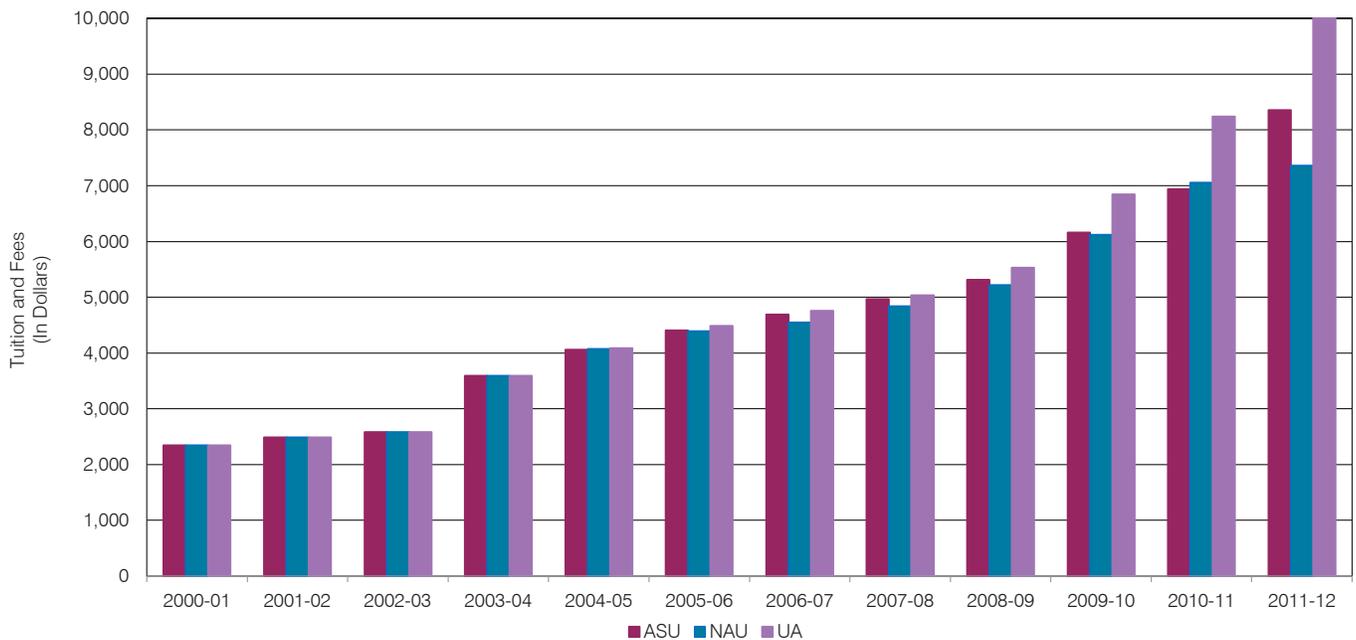
Source: Auditor General staff analysis of financial information received from ASU, NAU, and UA for fiscal years 2009 through 2011.

#### Question 4: Why has undergraduate tuition increased at the universities?

The Board has more than tripled tuition levels at each of the universities since the 2002-2003 academic year. Although various factors have contributed to the increase in tuition, according to university officials, the primary factor accounting for the rise in tuition is the reduction in state funding. Other factors include enrollment growth and using tuition dollars to provide financial aid. Arizona's tuition rates remain comparatively low, but tuition growth outpaces most other universities.

The Board has set university tuition and mandatory fees at increasingly higher levels in recent years.<sup>1</sup> As previously discussed in Question 1 (pages 1 through 2), the Board approved a tuition increase of 39.1 percent for the 2003-2004 academic year alone. Most recently, for the 2011-2012 academic year, base undergraduate tuition and mandatory fees for continuing resident students increased by 4, 20, and 22 percent at NAU, ASU, and UA, respectively.<sup>2</sup> As shown in Figure 3, these changes mean tuition for continuing resident students will rise by more than \$309 at NAU, \$1,413 at ASU, and \$1,798 at UA. In fact, average tuition levels for these students across all three universities have more than tripled from the 2002-2003 academic year to the 2011-2012 academic year. Despite these increases, the actual amount paid on average by Arizona's university students is significantly lower because of financial aid (see Question 5, pages 11 through 13).

Figure 3: Undergraduate Base Tuition and Mandatory Fees for Continuing Students at Universities' Main Campuses 2000-2001 through 2011-2012 Academic Years



Source: Auditor General staff analysis of Arizona university system undergraduate base tuition and mandatory fees at the main campuses of ASU, NAU, and the UA obtained from <http://www.azregents.edu/reports/default.aspx> for the 2000-2001 through 2010-2011 academic years, and April 2011 board minutes.

<sup>1</sup> Mandatory fees are board-approved fees charged to all students at an Arizona university, unless specifically excluded by a university. For example, ASU charges \$80 for a mandatory Health & Wellness fee. Mandatory fee totals range from \$508 at ASU to \$921 at UA for new resident undergraduate students at the main campuses starting in the fall of 2011.

<sup>2</sup> The 2011-2012 academic year tuition and fee levels do not reflect tuition rebates that were provided to some students at UA and NAU. When establishing tuition levels for the 2011-2012 academic year, the Board established a one-time \$750 rebate for continuing resident undergraduate students at UA. It also established a \$350 rebate at NAU for new resident students participating in NAU's pledge program, who pay higher tuition than continuing students, but are guaranteed that tuition will remain stable for eight semesters (see Question 6, page 14, for additional information about the pledge program).

## State funding and other factors affect tuition levels

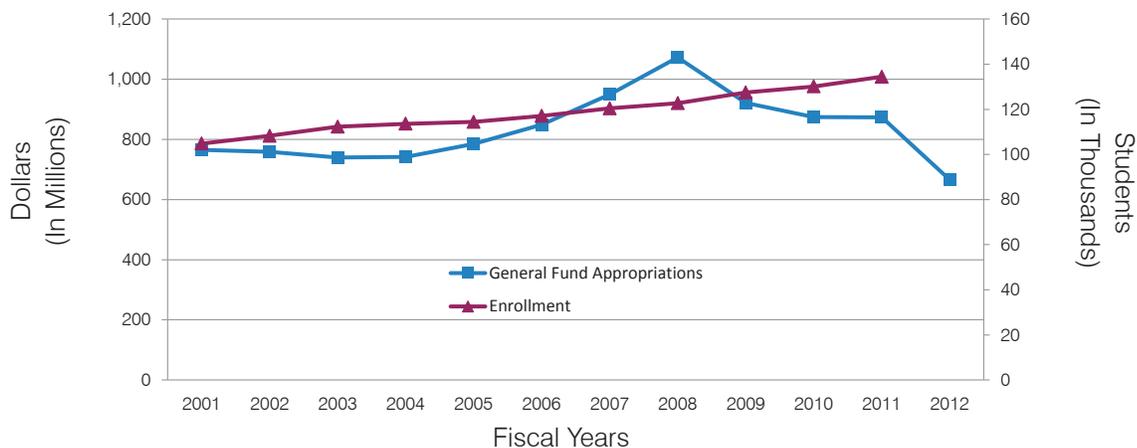
A variety of factors have contributed to rising tuition at the universities, specifically:

- Reduced State General Fund appropriations**—According to board and university officials, the primary factor affecting tuition is the reduction in state funding. As shown in Question 3 (see pages 5 through 7), the universities rely on a combination of State General Fund appropriations, tuition revenues, and other unrestricted revenues to pay for the costs of operating the universities. Consequently, as indicated in Question 2 (see pages 2 through 4), the level of state funding provided to the university system is a key consideration for setting tuition in Arizona, as it is in most other states. However, State General Fund appropriations to the universities decreased in fiscal years 2009, 2010, and 2012 (see Figure 4). Specifically, State General Fund appropriations for the universities have decreased by more than \$400 million, from nearly \$1.1 billion in fiscal year 2008 to approximately \$665.5 million in fiscal year 2012. According to board and university officials, the universities have depended on increased tuition as a crucial revenue source for bridging the gap between university costs and State General Fund appropriations. (The universities' efforts to lower costs are discussed in Question 6, pages 13 through 16.)
- Enrollment growth**—Enrollment growth also contributes to increases in tuition levels for

Arizona's universities. Enrollment at Arizona's universities increased 24.2 percent, from 108,234 students in the 2001-2002 academic year to 134,451 students in the 2010-2011 academic year. The university system expects to further increase enrollment to more than 150,000 undergraduate students and a total of 180,000 students as it builds toward its goal of doubling the number of bachelor's degrees earned by 2020. The relationship between enrollment and tuition is complex. First, increased enrollment can help the universities generate additional tuition revenue, which helps pay for the universities' costs, thereby mitigating against tuition increases. However, increased enrollment can also contribute to increased university costs by requiring the hiring of additional faculty and the growth of student services, which can result in tuition increases if other funding is unavailable. University officials indicated that long-term enrollment growth may also require investment to expand university infrastructure, such as new buildings, thereby creating additional financial burdens for the system.

- Financial aid set-aside program**—Another factor contributing to the increase in tuition has been the growth of a tuition-supported financial aid set-aside program. The Board established the financial aid set-aside program, which requires that a formula-determined portion of tuition revenue be used for financial aid. In the 2001-2002 academic year, the program set

Figure 4: State General Fund Appropriations to the Universities and Fall Semester Enrollment Fiscal Years 2001 through 2012<sup>1</sup>



<sup>1</sup> In addition to State General Fund appropriations during fiscal years 2009, 2010, and 2011, the universities received approximately \$154 million, \$72 million, and \$2 million, respectively, of American Recovery and Reinvestment Act State Fiscal Stabilization Fund Program monies. The purpose of these monies was to help restore the shortfall of state-appropriated funding for higher education.

Source: Auditor General staff analysis of *Arizona university system funding FY2001 through FY2010*; and *Arizona university system funding FY2003 through FY2012*, obtained from the Joint Legislative Budget Committee's Web site at <http://www.azleg.gov/jlbc.htm>; fall semester total headcount enrollment data for fall 2000 (fiscal year 2001) through fall 2010 (fiscal year 2011) obtained from the Arizona Board of Regents' Web site at <http://www.azregents.edu>; and ASU's, NAU's, and UA's fiscal years 2009 and 2010 audited financial statements.

aside approximately \$14.5 million in combined tuition revenue from the three universities. However, continued tuition growth and board-approved changes to the formula have resulted in large increases to the set-aside amount. Specifically, in the 2010-2011 academic year, tuition revenues of approximately \$73.1 million at ASU, \$18.2 million at NAU, and \$32.4 million at UA were authorized to be used for the Board's financial aid set-aside program. According to the Board, the financial aid set-aside is critical for ensuring student access to higher education. However, as the amount of tuition monies used to support this program grows, less revenue is available to the universities to use for operating expenses and other costs. (See Question 5, pages 11 through 13, for additional information on student financial aid.) Some other states, such as Utah and Texas, have also implemented tuition-supported financial aid programs.

The universities can also use additional monies for financial aid. For example, in its expenditure authorization for fiscal year 2011, the Board authorized ASU, NAU, and UA to retain university revenues totaling \$83.1 million, \$24.5 million, and \$106.3 million, respectively, for financial aid.

**Arizona universities' tuition increased more than many other universities'**—Arizona universities' tuition and mandatory fees have increased more than other universities'. Auditors compared tuition and fees to three groups of universities (see text box). Tuition at comparable universities across the country increased by 45 percent to 201 percent from the 2000-2001 academic year to the 2009-2010 academic year. Arizona universities' tuition amounts increased by 192 percent during this time. As shown in Table 3, Arizona university tuition amounts have begun to rank somewhat higher when compared to the other universities' tuition amounts (see Figures 6 through 8 in Appendix A, pages a-iv through a-vi, for details on each university's comparisons with its board-approved peers.)

#### Groups used to compare tuition and fees

- A group of universities composed of a senior public university from each state.
- Board-approved peer institutions based on comparable missions and purposes.
- Each university's athletic conference members.

<sup>1</sup> The comparison includes senior universities at 46 states. Idaho, Indiana, and Maine are excluded from the comparison because 2000-2001 academic year information was unavailable.

Source Auditor General staff methodology for comparing Arizona universities' tuition and mandatory fees to other universities' tuition and mandatory fees.

Table 3: Comparison of Arizona Universities' Tuition Ranking with Three Sets of Universities by Academic Year

Comparison	University	Rank		
		2000-2001	2009-2010	
Senior Public Universities for Other States <sup>1</sup>	ASU	47 <sup>th</sup>	30 <sup>th</sup>	
	NAU	48 <sup>th</sup>	33 <sup>rd</sup>	
	UA	46 <sup>th</sup>	28 <sup>th</sup>	
Board-approved Peers <sup>2</sup>	ASU	16 <sup>th</sup>	14 <sup>th</sup>	
	NAU	17 <sup>th</sup>	12 <sup>th</sup>	
	UA	15 <sup>th</sup>	12 <sup>th</sup>	
Athletic Conferences				
	• PAC-10	ASU	10 <sup>th</sup>	9 <sup>th</sup>
	• Big Sky (9 members)	NAU	7 <sup>th</sup>	2 <sup>nd</sup>
• PAC-10	UA	9 <sup>th</sup>	8 <sup>th</sup>	

<sup>1</sup> Rank out of 49—46 other state universities plus the 3 Arizona universities. Idaho, Indiana, and Maine are excluded from the comparison because information for 2000-2001 was unavailable.

<sup>2</sup> Rank out of 16—15 board-approved peers plus the relevant Arizona university—except that NAU's 2000-2001 rank is out of 18—17 board-approved peers plus NAU.

Source: Auditor General staff analysis of 2000-2001 and 2009-2010 academic year tuition data from the the U.S. Department of Education's National Institute of Education Sciences, Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS). [nces.ed.gov/ipeds/datacenter](http://nces.ed.gov/ipeds/datacenter).

**Question 5: How much are students actually paying to attend Arizona’s universities?**

Tuition and mandatory fees for the 2009-2010 academic year ranged from \$6,122 to \$6,842, but many resident undergraduate students paid much less because of scholarships, grants, and other gift financial aid. In the 2009-2010 academic year, 45 percent of resident undergraduate students paid no tuition and mandatory fees, and the average amount paid was less than half the cost of tuition. The total cost of attending an Arizona university in the 2009-2010 academic year was approximately \$20,000, compared to approximately \$11,000 in the 2000-2001 academic year. More than half of Arizona university students graduated with student loans in the 2009-2010 academic year, averaging approximately \$20,000 for students earning bachelor’s degrees.

**Most students pay less than tuition rate**—Despite the increases in tuition and mandatory fees discussed in Question 4 (see pages 8 through 10), the average amount that resident undergraduate students actually pay is reduced substantially

because of financial aid. For example, for the 2009-2010 academic year, the Board reported that nearly 45 percent of full-time resident undergraduate students paid no tuition and mandatory fees because of scholarships, grants, waivers, or other gift aid. Gift aid is financial aid that does not need to be earned or repaid and it can come from federal or state financial aid programs, private gifts, and other institutional sources. The average tuition and fees paid by full-time resident undergraduate students to attend Arizona universities in the 2009-2010 academic year was \$2,524 after gift aid. This amount represents a considerable reduction from the published tuition and mandatory fees of \$6,159 at ASU, \$6,122 at NAU, and \$6,842 at UA.

Additionally, as shown in Table 4, for the 2009-2010 academic year, resident undergraduate students of all income levels paid less on average than the approved tuition to attend one of Arizona’s three universities. For example, resident undergraduate students reporting annual family income between \$35,000 and \$49,999 paid an average of \$1,397, \$1,513, and \$940 in tuition for the 2009-2010 academic year at ASU, NAU, and UA, respectively. Resident undergraduate students reporting annual family income between \$80,000 and \$119,999 paid an average of between \$3,081 and \$3,417 to attend one of Arizona’s three universities.

Table 4: Resident Full-Time Undergraduate Average Tuition and Mandatory Fees Paid 2009-2010 Academic Year<sup>1</sup>

Annual Family Income	ASU	NAU	UA
<\$20,000	\$ 979	\$ 388	\$ 397
\$20,000-\$34,999	1,162	976	489
\$35,000-\$49,999	1,397	1,513	940
\$50,000-\$64,999	1,895	2,052	1,826
\$65,000-\$79,999	2,419	2,557	3,003
\$80,000-\$119,999	3,160	3,081	3,417
>\$120,000	3,780	3,615	3,644
Unknown <sup>2</sup>	3,580	3,929	3,516
<b>Tuition<sup>3</sup></b>	<b>\$6,159</b>	<b>\$6,122</b>	<b>\$6,842</b>

<sup>1</sup> Average resident undergraduate tuition and mandatory fees paid less gift aid.

<sup>2</sup> Tuition and mandatory fees paid by students who did not complete a Free Application For Student Aid (FAFSA).

<sup>3</sup> Tuition and mandatory fee levels for continuing resident undergraduate students at the main campus.

Source: Auditor General staff analysis of tuition information by annual family income obtained from ASU, NAU, and UA staff, and tuition information from the Board’s 2010-2011 *Arizona University System Base Tuition and Mandatory Fees* obtained from [www.azregents.edu](http://www.azregents.edu).

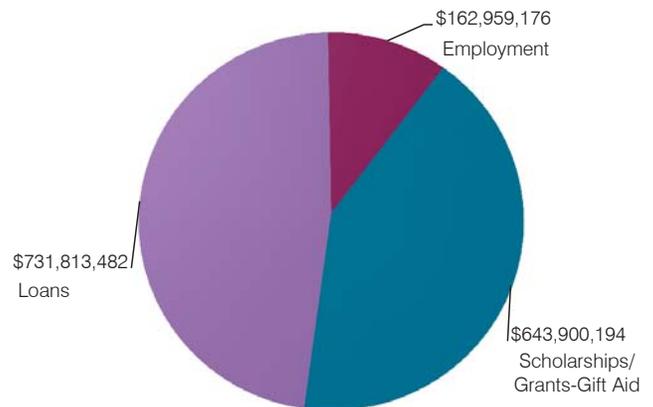
**Financial aid helps alleviate cost of university attendance**—Table 4 (see page 11) also illustrates that students from lower-income households pay less on average for tuition. These students typically receive a higher amount of gift aid. For example, for the 2009-2010 academic year, full-time resident undergraduate students in the lowest family income range that attended ASU received an average of \$9,107 in gift aid compared to full-time resident undergraduate students in the highest income range, who received an average of \$3,756 in gift aid.<sup>1</sup>

In addition to gift aid, other forms of financial aid are available to students to help cover their costs of attending an Arizona university. For example, for the 2009-2010 academic year, 31 percent of all students at the three universities took out student loans to help defray the cost of their education. As shown in Figure 5, these loans totaled nearly \$732 million, which represented more than 47 percent of all financial aid dollars provided to students. Students can obtain loans from several sources, including federal, state, and private lenders. In addition, students can earn financial aid through work-study, campus employment, and graduate assistantships. In fiscal year 2010, employment aid totaled nearly \$163 million.

**Cost of university attendance leaves most students with debt**—More than half of Arizona’s graduating students in the 2009-2010 academic year graduated with student loans. Specifically, 52.3 percent of those receiving a bachelor’s degree and 54.2 percent of those receiving a master’s or higher degree had debt at graduation. For undergraduate students, the average debt amount was \$19,946, and for graduate students, the average debt amount was \$42,097. These amounts represent increases from the 2005-2006 academic year of more than \$2,700 and \$8,200, respectively. Despite these increases, Arizona students’ indebtedness was relatively low compared to those in most other states. A national survey of the 2009 graduating class indicated that debt levels for students graduating from Arizona’s public four-year institutions was 8th lowest compared to the other 46 states and the District of Columbia included in the survey.<sup>2</sup>

In addition to tuition and mandatory fees, students’ total cost of attending a university can include several other expenses. These include books, supplies, and room and board. In fact, most of the cost of attending a university does not come from tuition and fees. In the 2000-2001 academic year, tuition and mandatory fees accounted for just more than 20 percent of the total price of attending a university in Arizona. By comparison, as shown in Table 5 (see page 13), for the 2009-2010 academic year, tuition and mandatory fees’ share of total costs had increased to more than 30 percent.

Figure 5: Amount of Financial Aid Awarded Fiscal Year 2010



Source: Auditor General staff analysis of the Board’s *Student Financial Aid Report FY 2010*.

<sup>1</sup> According to the universities, a major determinant of the gift aid amount provided to a student is the expected family contribution, which is the amount of money the student and family are expected to pay toward the student’s education. A family’s income, assets, and size are some of the factors used to calculate the expected family contribution.

<sup>2</sup> The Project on Student Debt. (n.d.). State by state data. Retrieved July 14, 2011, from [http://projectonstudentdebt.org/state\\_by\\_state-data.php](http://projectonstudentdebt.org/state_by_state-data.php).

Table 5: Comparison of Total Cost for In-State Students Living on Campus 2000-2001 and 2009-2010 Academic Years

	ASU	NAU	UA
2000-2001 Total Cost	\$11,278	\$10,722	\$11,392
2000-2001 Annual Tuition and Mandatory Fees	2,344	2,344	2,344
Tuition and Mandatory Fees—Percent of Total	20.78%	21.86%	20.58%
2009-2010 Total Cost	\$20,290	\$19,755	\$20,519
2009-2010 Annual Tuition and Mandatory Fees	6,159	6,122	6,842
Tuition and Mandatory Fees—Percent of Total	30.35%	30.99%	33.34%

Source: Auditor General staff analysis of 2000-2001 and 2009-2010 IPEDS total price data and the Board's published base tuition and mandatory fees information obtained from [www.azregents.edu](http://www.azregents.edu).

**Question 6: What steps has the university system taken to mitigate the impact of tuition increases on students and minimize tuition increases?**

The Board and the universities have taken steps to mitigate the impact of tuition increases on students. Specifically, under the Board's direction, the three universities have implemented lower-cost options for obtaining a degree. Further, all three universities took steps to reduce operating expenses in fiscal years 2008 through 2011, and they are required to make additional reductions in fiscal year 2012. Despite these efforts, overall university costs increased between fiscal years 2007 and 2011.

**Universities offer lower-cost options for some students**—The universities have implemented lower-cost options for obtaining a university education as one step to mitigate the impact of tuition increases. For example, the three universities have implemented programs to aid students in transferring to a university from several community colleges throughout the State. These transfer programs allow students to complete a portion of their degree at a community college, which charges significantly lower tuition (see textbox).

In addition, each university has implemented some additional lower-cost options. For example:

**Examples of community college transfer programs**

- **System-wide**—The Arizona General Education Curriculum is a 35-credit-hour program for students attending an Arizona community college or 1 of the 2 tribal colleges. This program satisfies the lower-division general education requirements for the 3 universities and guarantees admission to one of the State's universities if the student has at least a 2.5 grade point average.
- **ASU**—The Maricopa-ASU Pathways Program allows students to follow a prescribed sequence of courses at a Maricopa County Community College that meets the lower-division requirements for an ASU major, and guarantees admission to several degree programs at ASU.
- **NAU**—The 2NAU program allows students to be admitted to NAU while completing an associate's degree at a community college. NAU staff guide students through the first 2 years at community college and continue to provide guidance to the student throughout his/her degree program at NAU.
- **UA**—The UA Program for Joint Admission allows Pima Community College students to integrate community college courses into their UA degree programs, and enroll at UA without a readmission application. Students also have access to UA advisors and residence halls.

Source: Auditor General staff analysis of community college transfer information. System-wide transfer information obtained from [www.aztransfer.com](http://www.aztransfer.com) and from the Board Academic Affairs Committee's April 2010 board book, ASU transfer information from [www.transfer.asu.edu](http://www.transfer.asu.edu), NAU transfer information from <http://extended.nau.edu>, and UA transfer information provided by UA staff.

- **ASU**—In the spring of 2012, ASU plans to implement an accelerated schedule for some high-demand undergraduate programs, which will allow students to complete a degree in five to six semesters instead of the traditional eight semesters. Potential accelerated degree programs include a Bachelor of Arts in communication, a Bachelor of Science in psychology, and a Bachelor of Arts in Education in elementary education.
- **NAU**—NAU's Yavapai and Yuma campuses charge lower tuition rates that allow students to obtain a degree at a lower cost than at the Flagstaff campus. In addition to NAU's Yuma and Yavapai campuses, NAU also offers classes at 32 other extended campuses across the State, enabling students to live at home while completing their bachelor's degree. In addition, NAU's pledge program guarantees students a set tuition rate that will not increase for eight semesters. NAU also guarantees a 4-year financial aid package to students in the pledge program who receive financial aid.
- **UA**—UA offers lower tuition rates at its UA South campuses located in Sierra Vista, Nogales, Douglas, and the Tucson area. In addition, UA offers local degree programs at community college campuses and distributed learning centers in communities around the State. According to UA officials, these programs allow students to complete a UA degree in local communities rather than attend the university in Tucson, which eliminates relocation costs and lessens the cost of living while completing a degree.

Additionally, ASU and UA have implemented programs that help some students to graduate without student loan debt (see textbox). According to an NAU official, NAU typically expects all students to contribute to the cost of their education. This official reported that, as a result, NAU has not implemented a formal program that helps students at the university to graduate without debt.

**Universities used federal stimulus monies and cost containment strategies to reduce the need to raise tuition**—The Board and the universities have taken steps to limit the extent of tuition increases by using federal stimulus monies and controlling their operating costs. In fiscal years 2009 through 2011, the universities received State Fiscal Stabilization Fund monies from the federal government that helped to mitigate tuition increases. System-wide, the universities received approximately \$154 million in fiscal year 2009, \$72

### Debt-free programs

**ASU**—The Barack Obama Scholars Program combines gift aid from federal, state, private, and institutional sources with Federal Work Study monies; for students in this program, this allows ASU to cover the estimated direct costs of attending ASU for up to eight semesters. Estimated direct costs include actual tuition and mandatory fees as well as standardized allowances for room, board, books, and supplies.

**UA**—The Arizona Assurance Scholars Program aids students in paying for the estimated cost of tuition, fees, room, food, and books through grants and scholarships and by working approximately 10 to 12 hours a week.

Source: Auditor General staff analysis of information obtained from [promise.asu.edu/obamascholars/howitworks](http://promise.asu.edu/obamascholars/howitworks), and [financialaid.arizona.edu/assurance](http://financialaid.arizona.edu/assurance).

million in fiscal year 2010, and \$2 million in fiscal year 2011, the last year of the federal program.

In addition to using stimulus monies, the universities have taken steps to reduce operating costs. For example:

- **ASU**—According to ASU's budget system and budget staff, ASU took permanent actions to reduce costs by \$82.5 million in fiscal years 2008 through 2010 through academic reorganization, other budget actions taken at a university and school or college level, and by not moving forward with plans to build the Phoenix Biomedical Campus. For example, budget officials reported that in fiscal year 2009, the university eliminated the majority of its faculty associate positions, and cut the budgets of all of ASU's colleges and schools and administrative units. One college—ASU's Fulton Schools of Engineering—reduced its costs through various means, including layoffs, leaving vacant positions unfilled, cutting back on operations expenditures, and not renewing contracts for various positions. ASU also used furloughs and vacancy savings from delayed hiring to cover mid-year fiscal year 2008 and 2009 state budget reductions, which resulted in \$31.9 million in additional savings from these temporary actions.

In addition, ASU reported that it has taken additional steps to reduce costs such as using energy management to reduce its energy costs. For example, according to ASU, in 2009, tempera-

ture set points across ASU were adjusted down to 68 degrees in winter and up to 80 degrees in summer, which the university anticipated would save approximately \$500,000 annually.

- **NAU**—According to NAU officials, during fiscal years 2008 through 2010, NAU reduced its costs by approximately \$23.3 million through permanent and temporary budget actions to address mandated and anticipated state budget reductions. NAU relied mainly on university-level decisions to accomplish these cuts, and took various actions such as reducing courses offered and increasing class sizes, closing computer labs in the dorms, and closing four extended campuses. NAU officials also reported reducing division and department budgets. In addition, NAU reduced personnel costs through furloughs, layoffs, a voluntary retirement program, and not renewing some staff positions.

In addition, NAU reported that it continues to take and explore other actions to cut costs and improve efficiencies. For example, it is working to maximize the use of its facilities and is exploring outsourcing some services such as printing checks.

- **UA**—According to budget system information, UA reduced its costs in fiscal years 2008 through 2010 by a total of approximately \$68.5 million. UA accomplished this by allocating budget reductions to each of its colleges and other units. For example, the College of Science reduced its budget by \$5.2 million, mostly through personnel cost reductions. The College of Science reduced its personnel costs by leaving positions unfilled, staff layoffs, identifying other funding sources for positions, reducing the number of sections taught by lecturers, and not hiring graduate teaching assistants for upper-level courses. Altogether, approximately \$22 million of UA’s savings were in administrative or support units, and approximately \$46 million were in colleges.

In addition, UA reported that it saved \$3 million in utility costs in fiscal year 2009 through renegotiating the price of natural gas. UA also reported closing or merging 48 academic programs that had low degree productivity. According to UA, program closures can save money by reducing the number of adjunct faculty in a department, reducing the number of offered courses, and increasing the number of students in a given course.

**Universities required to make additional cost reductions in fiscal year 2012**—The fiscal year 2012 budget passed by the Legislature and signed by the Governor reduced the State General Fund appropriation for the universities by \$207.7 million as compared to the universities’ State General Fund appropriations for fiscal year 2011. Approximately, \$9.7 million of the total \$207.7 million reduction will result from state-wide administrative adjustments including savings from changes to retirement contributions and new hire employee benefit waiting periods. The remaining \$198 million results from lump sum reductions distributed proportionally by each campus’s share of the overall university State General Fund budget. The Board directed the universities to take the first \$100 million of these reductions through spending reductions and efficiency measures, but stated that the universities could make up \$70 million of these reductions through the use of available fund balances and tuition increases. The remaining \$28 million will be managed through operating efficiencies and the use of available fund balances (see textbox).

**Fiscal year 2012 lump sum budget reductions**

ASU Tempe/Downtown	\$73.9 million
ASU East	5.7 million
ASU West	10.4 million
NAU	30.0 million
UA Main Campus	60.7 million
UA Health Sciences Center	<u>17.3 million</u>
<b>Total</b>	<b><u>\$198 million</u></b>

Source: Auditor General staff summary of *JLBC Summary of enacted FY 2012 budget and FY 2011 budget revisions* obtained from <http://www.azleg.gov/jlbc/apr22enactedbudget.pdf>.

As part of its tuition-setting decision in April 2011, the Board directed each university to take specific actions. The Board approved all three presidents’ proposals for tuition increases, including ASU’s proposal for approximately \$7 million in fees that would apply to freshman and sophomore students. However, it directed ASU to take an additional \$6 million reduction in operating costs. In addition, after discussing the availability of reserves at NAU and UA, it directed those universities to give incoming students tuition rebates in the 2011-2012 academic year. Specifically, NAU was required to

give a financial aid award of \$350 to every incoming student on the NAU pledge program, and UA was required to give a financial aid award of \$750 to every incoming undergraduate resident student.

Each of the three universities has reported taking or preparing to take the following actions to implement its portion of the \$198 million lump sum budget reductions required during fiscal year 2012:

- **ASU**—ASU's State General Fund appropriation was reduced by nearly \$90 million for fiscal year 2012. According to ASU, it plans to reduce its fiscal year 2012 operating costs through permanent budget reductions in academic and administrative units, including actions such as reducing staff and outsourcing some functions such as custodial services.
- **NAU**—NAU's State General Fund appropriation was reduced by more than \$30 million for fiscal year 2012. According to NAU, it plans to reduce its fiscal year 2012 operating costs through actions such as a 4 percent across-the-board reduction to each major university division and examining NAU's benefits structure to determine what changes can be made to achieve cost savings. In addition, according to NAU, reductions in tenured faculty are expected, which will require the university to be more productive with its faculty and staff to handle student enrollment.
- **UA**—UA's State General Fund appropriation was reduced by \$78 million for fiscal year 2012.

Similar to its approach to reducing costs in previous fiscal years, according to a UA official, UA plans to allocate this budget reduction among its colleges and other units. UA expects that the colleges will use similar methods as they used for previous reductions, such as not filling vacant positions, filling vacancies with lower-paid employees, reorganizing units, and reclassifying positions.

**University expenses have increased**—As discussed in Question 4 (see pages 8 through 10), operating costs affect tuition. Specifically, according to board and university officials, the universities have depended on increased tuition revenues as a crucial revenue source to bridge the gap between decreasing State General Fund appropriations and the costs of operating the universities.

The universities' expenses supported by tuition and fees, State General Fund appropriations, federal stimulus monies, and other unrestricted revenues increased by approximately 25 percent from fiscal years 2007 to 2011. These expenses included a portion of the universities' costs of instruction, academic support, and student-centered services including scholarships and institutional administration and other support.

# Appendix A

**Table 6: Schedule of Tuition and Fees and Other Combined Unrestricted Revenues and Related Uses<sup>1</sup>  
Fiscal Years 2007 through 2011  
(In Thousands)**

	Arizona University System				
	2007 (Actual)	2008 (Actual)	2009 (Actual)	2010 (Actual)	2011 (Estimate)
Revenue sources:					
Gross tuition and fees <sup>2</sup>	\$ 873,984	\$ 962,879	\$ 1,112,574	\$ 1,335,141	\$ 1,529,278
State General Fund appropriations	948,966	1,072,063	920,391	873,054	873,961
Government grants and contracts:					
State Fiscal Stabilization Fund Program <sup>1</sup>	-	-	154,138	71,750	1,913
Federal, state, and local	113,277	116,357	121,185	131,003	131,272
Sales and services <sup>3</sup>	71,305	75,691	73,259	71,838	83,341
Private grants and contracts	30,615	28,940	30,592	28,954	31,353
Other	81,289	67,765	55,295	52,278	63,522
Total revenue sources	<u>2,119,436</u>	<u>2,323,695</u>	<u>2,467,434</u>	<u>2,564,018</u>	<u>2,714,640</u>
Uses:					
Primary mission:					
Instruction	814,186	865,293	857,822	879,053	930,796
Academic support	273,932	307,177	306,415	304,374	304,849
Research <sup>4</sup>	113,077	137,083	129,411	122,124	126,153
Public service <sup>4</sup>	39,130	42,459	46,028	42,093	42,465
Student-centered:					
Regents' financial aid set-aside <sup>2</sup>	47,906	56,503	68,062	94,875	123,726
Fellowships and other financial aid <sup>2</sup>	159,133	174,351	193,440	228,218	253,013
Student services	94,543	103,354	102,613	96,562	110,161
Institutional administration and other support <sup>4</sup>	532,621	624,137	614,172	689,501	707,701
Total uses	<u>2,074,528</u>	<u>2,310,357</u>	<u>2,317,963</u>	<u>2,456,800</u>	<u>2,598,864</u>
Excess of revenue sources over uses	<u>\$ 44,908</u>	<u>\$ 13,338</u>	<u>\$ 149,471</u>	<u>\$ 107,218</u>	<u>\$ 115,776</u>

	Arizona State University				
	2007 (Actual)	2008 (Actual)	2009 (Actual)	2010 (Actual)	2011 (Estimate)
Revenue sources:					
Gross tuition and fees <sup>2</sup>	\$ 477,340	\$ 523,537	\$ 605,712	\$ 711,138	\$ 810,000
State General Fund appropriations	423,120	482,878	416,924	395,386	395,386
Government grants and contracts:					
State Fiscal Stabilization Fund Program <sup>1</sup>	-	-	69,822	32,502	866
Federal, state, and local	38,013	41,123	43,381	51,462	55,000
Sales and services <sup>3</sup>	38,850	44,411	37,175	37,169	45,000
Private grants and contracts	9,272	12,130	14,976	11,959	16,000
Other	38,046	21,766	18,548	14,798	20,000
Total revenue sources	<u>1,024,641</u>	<u>1,125,845</u>	<u>1,206,538</u>	<u>1,254,414</u>	<u>1,342,252</u>
Uses:					
Primary mission:					
Instruction	419,683	451,611	441,445	469,485	490,000
Academic support	158,402	181,869	182,625	184,329	190,000
Research <sup>4</sup>	23,338	33,688	38,213	33,000	35,000
Public service <sup>4</sup>	8,418	9,188	10,724	8,283	10,000
Student-centered:					
Regents' financial aid set-aside <sup>2</sup>	21,893	29,117	35,623	47,943	73,107
Fellowships and other financial aid <sup>2</sup>	73,457	81,667	92,378	107,904	111,893
Student services	46,782	50,873	48,388	45,904	50,000
Institutional administration and other support <sup>5</sup>	254,286	290,663	288,732	301,179	325,000
Total uses	<u>1,006,259</u>	<u>1,128,676</u>	<u>1,138,128</u>	<u>1,198,027</u>	<u>1,285,000</u>
Excess (deficiency) of revenue sources over uses	<u>\$ 18,382</u>	<u>\$ (2,831)</u>	<u>\$ 68,410</u>	<u>\$ 56,387</u>	<u>\$ 57,252</u>

**Table 6: Schedule of Tuition and Fees and Other Combined Unrestricted Revenues and Related Uses<sup>1</sup>**  
**Fiscal Years 2007 through 2011**  
(In Thousands)  
(Continued)

<b>Northern Arizona University</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>(Actual)</b>	<b>(Actual)</b>	<b>(Actual)</b>	<b>(Actual)</b>	<b>(Estimate)</b>
<b>Revenue sources:</b>					
Gross tuition and fees <sup>2</sup>	\$ 113,449	\$ 126,747	\$ 144,841	\$ 171,768	\$ 204,500
State General Fund appropriations	135,949	158,274	140,273	133,118	134,025
<b>Government grants and contracts:</b>					
State Fiscal Stabilization Fund Program <sup>1</sup>			23,492	10,935	292
Federal, state, and local	4,318	5,100	5,265	5,525	
Private grants and contracts	3,122	3,540	2,912	3,288	2,574
Other	9,777	10,078	7,255	10,800	13,522
Total revenue sources	<u>266,615</u>	<u>303,739</u>	<u>324,038</u>	<u>335,434</u>	<u>354,913</u>
<b>Uses:</b>					
<b>Primary mission:</b>					
Instruction	105,230	112,810	114,167	110,350	124,981
Academic support	27,128	29,411	27,519	29,279	27,501
Research <sup>4</sup>	4,138	4,798	4,356	3,985	4,483
Public service <sup>4</sup>	8,107	9,875	11,519	11,286	9,900
<b>Student-centered:</b>					
Regents' financial aid set-aside <sup>2</sup>	8,050	8,717	10,530	16,404	18,200
Fellowships and other financial aid <sup>2</sup>	14,320	15,248	17,507	18,311	29,727
Student services	22,489	25,760	27,186	24,621	28,211
Institutional administration and other support <sup>5</sup>	75,418	99,303	79,305	97,538	84,192
Total uses	<u>264,880</u>	<u>305,922</u>	<u>292,089</u>	<u>311,774</u>	<u>327,195</u>
Excess (deficiency) of revenue sources over uses	<u>\$ 1,735</u>	<u>\$ (2,183)</u>	<u>\$ 31,949</u>	<u>\$ 23,660</u>	<u>\$ 27,718</u>

<b>University of Arizona</b>					
	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
	<b>(Actual)</b>	<b>(Actual)</b>	<b>(Actual)</b>	<b>(Actual)</b>	<b>(Estimate)</b>
<b>Revenue sources:</b>					
Gross tuition and fees <sup>2</sup>	\$ 283,195	\$ 312,595	\$ 362,021	\$ 452,235	\$ 514,778
State General Fund appropriations	389,897	430,911	363,194	344,550	344,550
<b>Government grants and contracts:</b>					
State Fiscal Stabilization Fund Program <sup>1</sup>			60,824	28,313	755
Federal, state, and local	70,946	70,134	72,539	74,016	76,272
Sales and services <sup>3</sup>	32,455	31,280	36,084	34,669	38,341
Private grants and contracts	18,221	13,270	12,704	13,707	12,779
Other	33,466	35,921	29,492	26,680	30,000
Total revenue sources	<u>828,180</u>	<u>894,111</u>	<u>936,858</u>	<u>974,170</u>	<u>1,017,475</u>
<b>Uses:</b>					
<b>Primary mission:</b>					
Instruction	289,273	300,872	302,210	299,218	315,815
Academic support	88,402	95,897	96,271	90,766	87,348
Research <sup>4</sup>	85,601	98,597	86,842	85,139	86,670
Public service <sup>4</sup>	22,605	23,396	23,785	22,524	22,565
<b>Student-centered:</b>					
Regents' financial aid set-aside <sup>2</sup>	17,963	18,669	21,909	30,528	32,419
Fellowships and other financial aid <sup>2</sup>	71,356	77,436	83,555	102,003	111,393
Student services	25,272	26,721	27,039	26,037	31,950
Institutional administration and other support <sup>5</sup>	202,917	234,171	246,135	290,784	298,509
Total uses	<u>803,389</u>	<u>875,759</u>	<u>887,746</u>	<u>946,999</u>	<u>986,669</u>
Excess of revenue sources over uses	<u>\$ 24,791</u>	<u>\$ 18,352</u>	<u>\$ 49,112</u>	<u>\$ 27,171</u>	<u>\$ 30,806</u>

**Table 6: Schedule of Tuition and Fees and Other Combined Unrestricted Revenues and Related Uses<sup>1</sup>**  
**Fiscal Years 2007 through 2011**  
**(In Thousands)**  
**(Concluded)**

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<sup>1</sup> The table includes only tuition and fees, State General Fund appropriations, and other combined unrestricted revenues and the combined uses of those monies. The universities tracked the uses of tuition and fees together with the uses stemming from State General Fund appropriations and other unrestricted revenues. The table also includes the financial activity of the American Recovery and Reinvestment Act State Fiscal Stabilization Fund Program monies received during fiscal years 2009 through 2011. The purpose of this program was to help restore the shortfall of state-appropriated funding for higher education.

<sup>2</sup> The gross tuition and fees amount is not reduced to reflect the amount the universities must set aside for financial aid under the Board's financial aid set-aside program. For example, in its fiscal year 2011 state expenditure authority, the Board required the universities to use a total of \$123.7 million for this program based on estimated tuition and fee revenues. In addition, the amount is not reduced to reflect other tuition waivers from institutional scholarships that the universities award to their students. These financial aid set-asides and institutional scholarships are included in the universities' expenses under Regents' financial aid set-aside and fellowships and other financial aid.

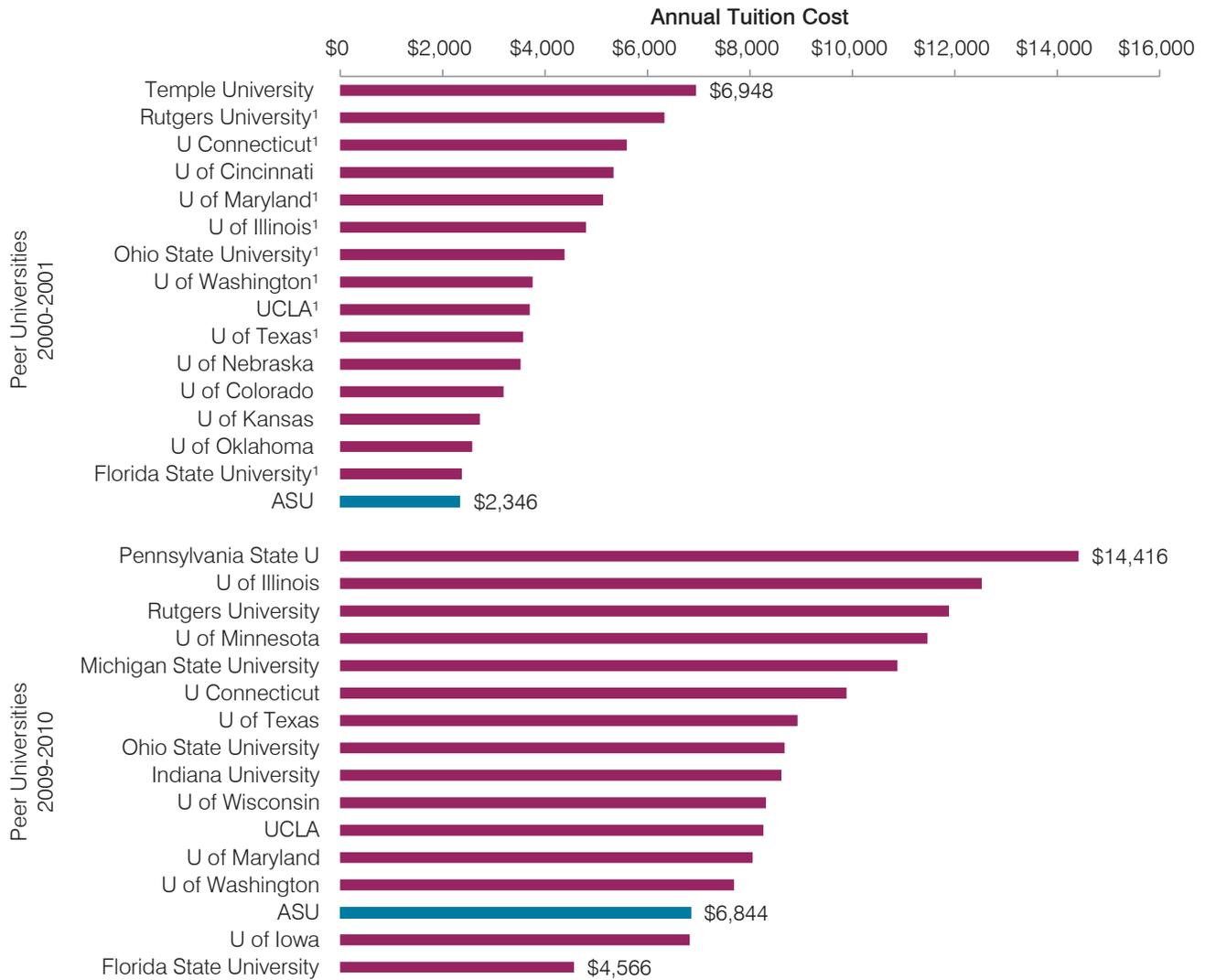
<sup>3</sup> Amounts are educational department sales and services, including internal sales to other funds and departments.

<sup>4</sup> Amounts include only research and public service costs paid for from the combined sources presented in this table. The majority of research and public service costs were paid for with federal, state, and private grants and contracts that are restricted to specific projects or programs, which the universities track separately.

<sup>5</sup> Amounts include various activities such as debt retirement, capital purchases, long-range planning, and maintenance of the physical plant. See page 6 for additional information.

Source: Auditor General staff analysis of financial information received from ASU, NAU, UA, and the Board for fiscal years 2007 through 2011.

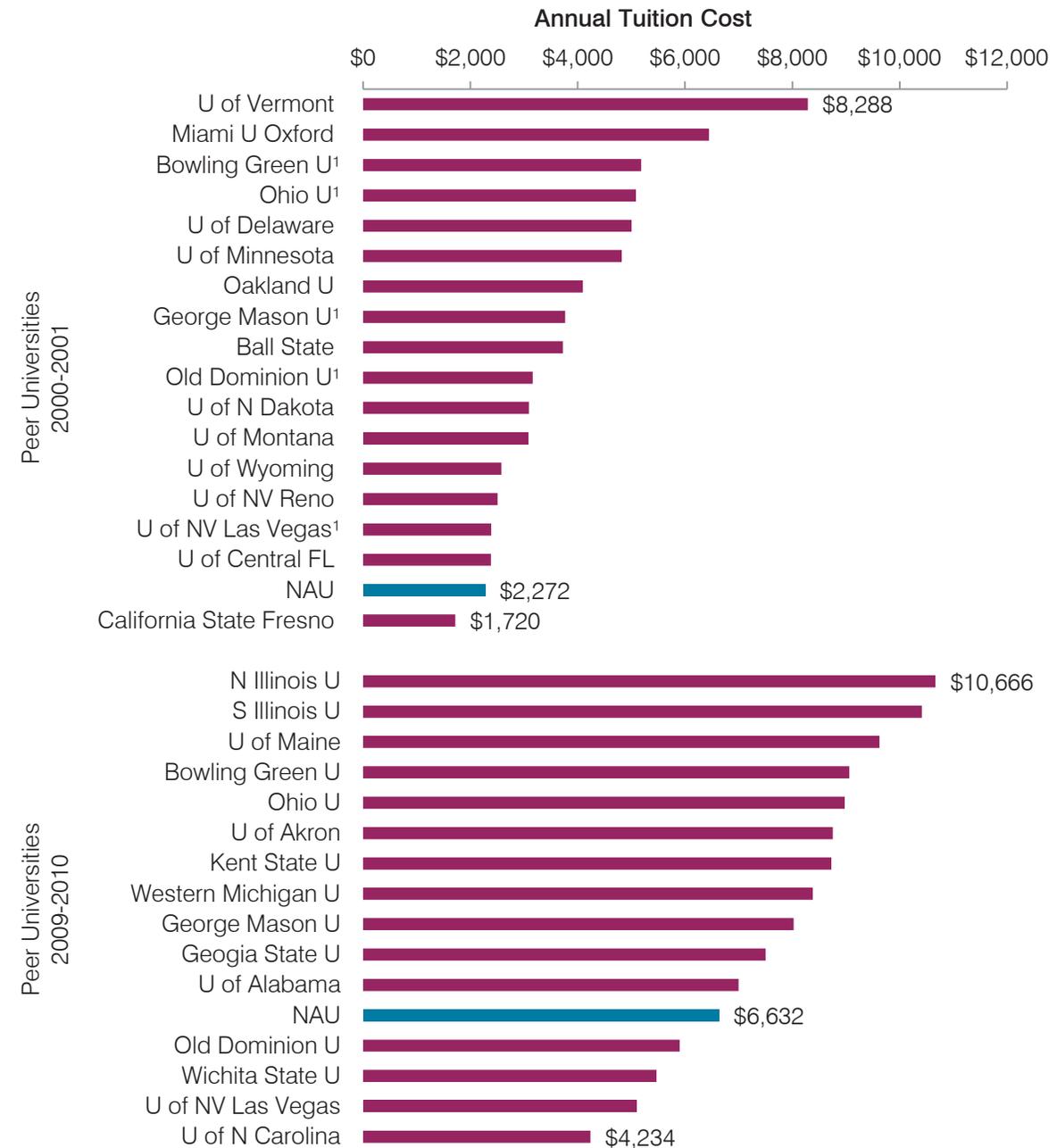
Figure 6: ASU's Tuition Compared to Board-Approved Peers  
Academic Years 2000-2001 and 2009-2010



<sup>1</sup> Institution that was an ASU peer in both academic years 2000-2001 and 2009-2010.

Source: Auditor General staff analysis of tuition and mandatory fees data obtained from the IPEDS Data Center of the U.S. Department of Education at [nces.ed.gov/ipeds/datacenter](http://nces.ed.gov/ipeds/datacenter).

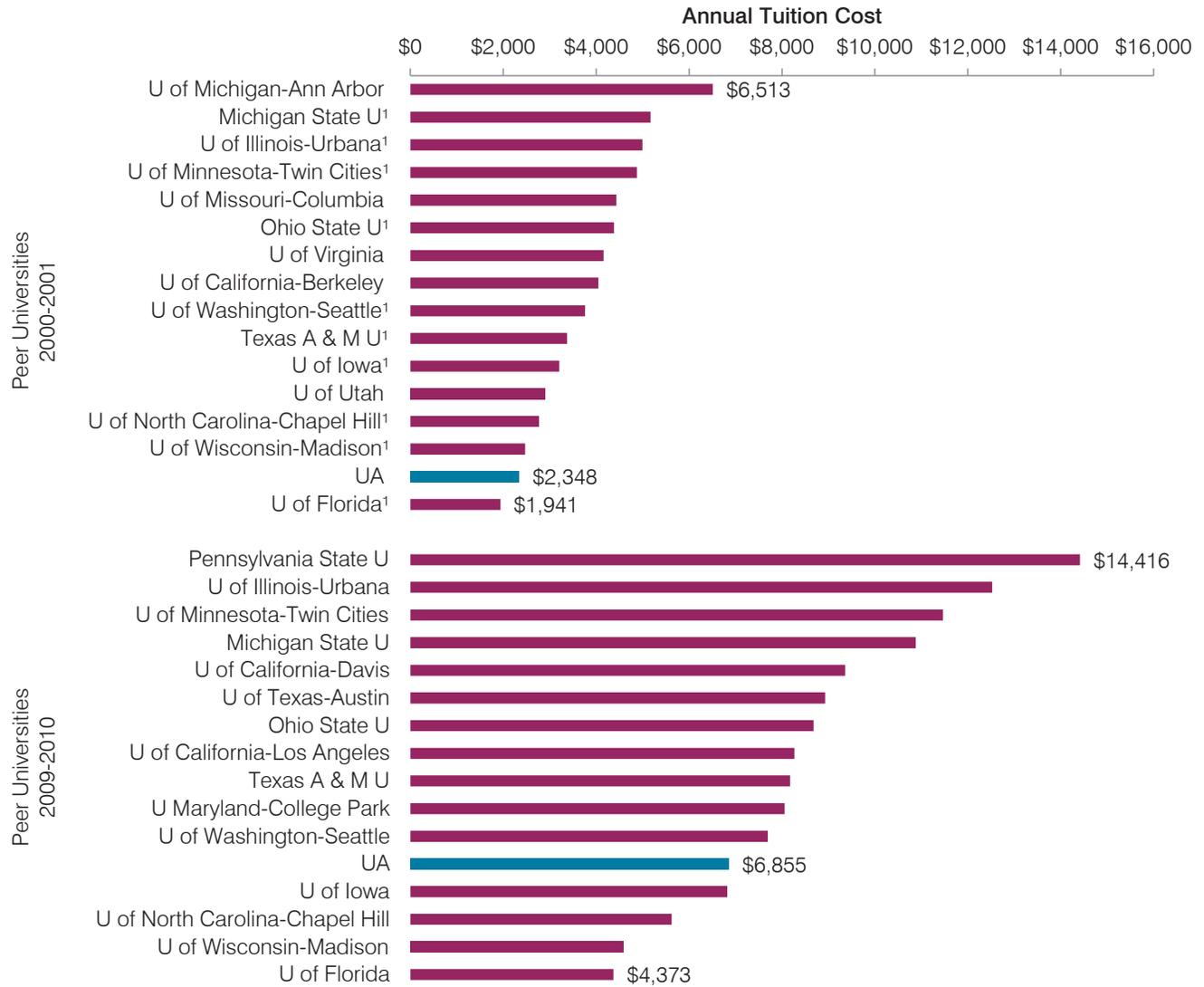
Figure 7: NAU's Tuition Compared to Board-Approved Peers  
Academic Years 2000-2001 and 2009-2010



<sup>1</sup> Institution that was an NAU peer in both academic years 2000-2001 and 2009-2010.

Source: Auditor General staff analysis of tuition and mandatory fees data obtained from the IPEDS Data Center of the U.S. Department of Education at [nces.ed.gov/ipeds/datacenter](http://nces.ed.gov/ipeds/datacenter).

Figure 8: UA's Tuition Compared to Board-Approved Peers  
Academic Years 2000-2001 and 2009-2010



<sup>1</sup> Institution that was a UA peer in both academic years 2000-2001 and 2009-2010.

Source: Auditor General staff analysis of tuition and mandatory fees data obtained from the IPEDS Data Center of the U.S. Department of Education at [nces.ed.gov/ipeds/datacenter](http://nces.ed.gov/ipeds/datacenter).

## Performance Audit Division reports issued within the last 24 months

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<b>09-09</b>	Arizona Department of Juvenile Corrections—Suicide Prevention and Violence and Abuse Reduction Efforts	<b>10-09</b>	Arizona Sports and Tourism Authority
<b>09-10</b>	Arizona Department of Juvenile Corrections—Sunset Factors	<b>11-01</b>	Department of Public Safety—Followup on Specific Recommendations from Previous Audits and Sunset Factors
<b>09-11</b>	Department of Health Services—Sunset Factors	<b>11-02</b>	Arizona State Board of Nursing
<b>10-01</b>	Office of Pest Management—Restructuring	<b>11-03</b>	Arizona Department of Veterans' Services—Fiduciary Program
<b>10-02</b>	Department of Public Safety—Photo Enforcement Program	<b>11-04</b>	Arizona Medical Board
<b>10-03</b>	Arizona State Lottery Commission and Arizona State Lottery	<b>11-05</b>	Pinal County Transportation Excise Tax
<b>10-04</b>	Department of Agriculture—Food Safety and Quality Assurance Inspection Programs	<b>11-06</b>	Arizona Department of Veterans' Services—Veteran Home
<b>10-05</b>	Arizona Department of Housing	<b>11-07</b>	Department of Corrections—Oversight of Security Operations
<b>10-06</b>	Board of Chiropractic Examiners	<b>11-08</b>	Department of Corrections—Sunset Factors
<b>10-07</b>	Arizona Department of Agriculture—Sunset Factors	<b>11-09</b>	Arizona Department of Veterans' Services—Veterans' Donations and Military Family Relief Funds
<b>10-08</b>	Department of Corrections—Prison Population Growth	<b>11-10</b>	Arizona Department of Veterans' Services and Arizona Veterans' Service Advisory Commission—Sunset Factors
<b>10-L1</b>	Office of Pest Management—Regulation		

## Future Performance Audit Division reports

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Arizona Board of Regents—Sunset Factors

Department of Fire, Building and Life Safety

