MINUTES OF THE ARIZONA BOARD OF REGENTS
STRATEGIC PLANNING, BUDGET AND FINANCE COMMITTEE MEETING

Thursday, February 19, 2009

A meeting of the Strategic Planning, Budget and Finance Committee of the Arizona Board of Regents was held on Thursday, February 19, 2009, via videoconference from the ABOR central office in Phoenix, with participating sites at Northern Arizona University in Flagstaff and at The University of Arizona in Tucson.

COMMITTEE MEMBERS PRESENT:

Regent Bob Bulla, Chair
Regent Anne Mariucci (by phone)
Regent Bob McLendon

OTHER REGENTS PRESENT: Regent Fred Boice, Regent David Martinez


CALL TO ORDER, GREETINGS, AND ANNOUNCEMENTS FROM THE COMMITTEE CHAIR

Regent Bulla, as Chair of the Committee, called the meeting to order at 9:05 a.m.

APPROVAL OF MINUTES OF THE JANUARY 8, 2009, STRATEGIC PLANNING, BUDGET AND FINANCE COMMITTEE

Upon unanimously motion by Regent McLendon and second by Regent Bulla, the Committee unanimously approved the minutes of the January 8, 2009, Strategic Planning, Budget and Finance Committee.

1. APPROVAL OF ALLOCATION OF FY 2009 MID-YEAR GENERAL FUND BUDGET REDUCTIONS

Regent Bulla introduced the item and immediately moved, with a second by Regent McLendon, that the proposed allocation of the FY 2009 mid-year General Fund budget
reductions be approved. Following a brief discussion, the Committee voted unanimously to approve the allocation and to forward it to the Board for approval. President Crow, President Haeger, and Meredith Hay briefly described how the universities are implementing these budget cuts. The various strategies include reductions in financial aid, layoffs, furloughs, hiring freezes, reduction of health benefits, restructuring, pursuing revenue enhancements including the possibility of requesting a tuition and fee increase for Fall 2009, and a combination of cuts and temporary actions. Meredith Hay added that every action taken by The University of Arizona in implementing the cuts is designed to protect the quality of the academic program. President Haeger noted that the governor, during remarks in Flagstaff earlier in the week, indicated that the Legislature may need to reopen the FY 2009 budget due to a continuing deterioration in the financial condition of the state.

2. APPROVAL OF NEW PEER SETS (ASU, NAU, UA)

Regent Bulla introduced the item, stating that although he is not comfortable with the methodology used to select the proposed peer sets, he suggests approving them with a test period of perhaps three months. Regent Boice and Regent McLendon expressed their preference for approving the peers and using them for two to three years before revisiting them. Regent Martinez asked if the new peers would require a change in the tuition setting policy but was reminded that the current policy requires use of data from the 50-state survey. Upon motion by Regent McLendon to approve the proposed peer sets for Arizona State University, Northern Arizona University, and The University of Arizona and to use them for two to three years before revisiting them, and a second by Regent Mariucci, the Committee voted unanimously to approve the peer sets. Regent Bulla asked the universities to compile data for tuition, salaries, and other instances where ABOR-approved peers are used, comparing the results using the new peers with the results using the old peers.

3. DISCUSSION OF ABOR TUITION SETTING POLICY

Regent Bulla introduced the item, commenting that the top of the lower one-third in the latest 50-state tuition survey does not leave the universities much room to raise tuition. Nancy Tribbensee briefly presented the Discussion Paper on Tuition Setting, in which the universities request that tuition and mandatory fees be permitted to exceed the current top of the bottom one-third limit for two years. Regent Bulla stated that the Board may not be able to consider raising tuition until July when it has more information, including the impact of the federal stimulus legislation. President Crow and President Haeger stated that they are making decisions for the Fall 2009 deployment of resources now, and by April 1 at the latest. Without a tuition and fee increase, they will need to make additional cuts in FY 2010. Meredith Hay commented that UA will need additional tuition and fee revenues to maintain the quality of their academic program. Regent McLendon stated that tuition decisions need to be made now rather than delay informing students and families. Regent Martinez added that the students recognize the need for additional revenue and want transparency in the tuition setting process. Joel
Sideman stated that the Board must follow the tuition setting process outlined in statute. Regent Boice suggested that the Board initiate the process soon and that it could be halted if circumstances change. Regent Bulla concluded the discussion by stating that this is an urgent situation needing thoughtful consideration by the Board.

4. APPROVAL OF MACRO 2020 VISION AND LONG-TERM FINANCIAL ANALYSES

Regent Bulla asked Sandy Woodley to briefly describe the revised targets in the 2020 Vision long-term strategic plan. The Bronze target has been revised to reflect a worst-case resource scenario. The Silver target will get the system to national competitiveness, and the Gold target will double the number of bachelor's degrees awarded by 2020. Upon motion by Regent McLendon and a second by Regent Mariucci, the Committee voted unanimously to approve the 2020 Vision plan and forward it to the Board for approval.

5. MICRO-PLANNING: HYBRID ACADEMIC DELIVERY MODELS

Regent Bulla introduced the item, asking President Crow to describe the planning at ASU for new models of academic delivery. President Crow explained that ASU has accelerated its planning for the “colleges of ASU.” The colleges and schools on the Tempe campus will be research intensive and have a research intensive cost and pricing structure. Some colleges and schools at the Downtown Phoenix campus will be research intensive with the attendant cost/pricing structure; others will not be. The Polytechnic campus will have one core college, the College of Technology and Innovation, with other “service units” offering programs based on other campuses. ASU at the West campus will retain its current name and have a single core four-year college, the New College, offering degrees in arts and sciences, business, and education. It, too, will have “service units” offering undergraduate programs based on other campuses. The West campus will not be research intensive and, accordingly, will have a lower cost/pricing structure. President Crow added that with this reorganization, ASU will have a range of price points for students.

President Crow explained that the new “colleges of ASU” will be partnerships with community colleges, municipalities, or private philanthropists, with high quality, nonresearch intensive, narrower focus of programs, and lower price points. He added that he plans to implement the new cost/pricing structure at the West campus in Fall 2009. President Crow added that ASU will be advancing future tuition increases on a college basis with three price points: (1) colleges with program fees; (2) colleges without program fees; and (3) interdisciplinary colleges that may have a lower program fee. Joel Sideman stated that the Board may need to approve changes in ASU’s strategic plan to incorporate this reorganization.

President Crow stated that the assumptions for the “colleges of ASU” (not Polytechnic or West) include:
- Tuition at a level not to exceed the Pell grant amount
- Facilities will be provided by the partners
- Initially, some level of state support will be required
- Few tenure/tenure-track faculty, with a sufficient number to maintain academic quality but not to require a research intensive cost/pricing structure
- $8,000 per student in resources required, compared to $16,000 per student at research-intensive campuses

Discussion followed, with the consensus being that all three universities should continue with their planning in an expedited fashion even though implementation may be at a later date. Regent Mariucci added that this planning should be done on a coordinated, systemwide basis. Mike Proctor asked that all three universities share the names of parties to whom they are talking so efforts can be coordinated. He indicated that UA is talking to Yuma along with NAU, Nogales, Sierra Vista, Pima Community College, Central Arizona College, Paradise Valley Community College, and Chandler-Gilbert Community College. President Crow stated that ASU is not ready to disclose their potential partners as they are in negotiations.

6. UPDATE ON FISCAL ALTERNATIVES CHOICES TEAM (FACT) AND FEDERAL STIMULUS BILL

Regent Bulla introduced Ted Ferris, who updated the Committee on the work of FACT and on the American Recovery and Reinvestment Act of 2009, the federal stimulus legislation. He stated that FACT has held two meetings and is meeting weekly through the end of March, at which time they will issue their final report. The report will include the impact of the federal stimulus legislation; analysis of tax changes; accounting changes that could be implemented; and an analysis of the long-term viability of the current tax structure. The Committee will provide weekly reports to the Board.

Ted Ferris stated that he is focusing on two pieces of the federal stimulus:

a. Funding for state Medicaid programs—AHCCCS in Arizona. He estimates that $620M in FY 2009, $910M in FY 2010, and $460M in FY 2011, a total of $2B, targeted to AHCCCS will help reduce the size of cuts to education and other areas.

b. Funding for education—K-12, community colleges, and universities. Ted Ferris estimates that Arizona will receive $1B for education. $840M of the total will help address cuts to K-12, community colleges, and universities in FY 2009, 2010, and 2011. Arizona must allocate this funding proportionally to restore education sector funding to FY 2008 base. He estimates that it might offset one-half the cut the universities took in FY 2009. If Arizona tries to stretch these dollars to help in FY 2011, available funding for FY 2009 and FY 2010 would be less. The legislation states that higher education money is to be used to mitigate tuition increases. It can be used for capital projects but
not for new construction. $185M of the total is for general use on education programs, as designated by the governor.

Ted Ferris added that the bill doesn’t specify a start date but that the funds were to be available upon President Obama’s signature, which occurred on February 17. Ted Ferris stated that Arizona’s tax structure is heavily back-loaded, with the state receiving about one-third of its annual tax revenue in the last quarter of the fiscal year. With state tax revenues lagging, this is another indicator that the Legislature may need to reopen the FY 2009 budget.

7. DECEMBER 31, 2008, FINANCIAL STATUS UPDATES (ASU, NA, UA)

Regent Bulla commented that the universities’ December 31, 2008, Financial Status Updates do not include the General Fund budget reductions that were approved today by this Committee.

The meeting was adjourned at 11:20 a.m.

Prepared by Kathy Bedard

Approved:

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Bob Bulla, Chair