# Universities Funding Study (Report Highlights)

December 2000

In response to a request from the Legislature, we reviewed three university funding matters: policy initiatives or decision packages, tuition and fees, and funding for student enrollment growth. We reviewed the decision packages approved since 1996, the growth in tuition and fees from 1990 to 1999, and funding for growth in student enrollment from 1994 to 1999.

### **Our Conclusions:**

Although decision package expenditures can be tracked only to a limited degree, it appears that universities used decision package monies as intended. In addition, we found receipts from tuition and fees have increased substantially over the last ten years, from \$216.8 million in fiscal year 1990 to \$388.1 million in fiscal year 1999. Furthermore, we found monies appropriated by the Legislature for student growth funding generally follow changes in student populations.

# **Decision Package Monies Used Appropriately**

A decision package is a budget request for increased funding to implement or enhance a specific policy or program. Since 1996, about 20 percent of the decision packages requested by Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA) have been approved by the Legislature.

### For fiscal years 1996 to 1999:

- Universities submitted 73 decision packages totaling \$133.8 million;
- The Legislature approved 16 decision packages and \$14.5 million in funding; and
- Of the 1,254 FTE positions requested, 233 FTEs were approved.

In most cases, the funding and full-time equivalent (FTE) positions appropriated for the 16 approved decision packages was less than the universities requested, representing about 25 percent of the total funding requested and 32 percent of the total FTEs requested.

### Decision Package Appropriations Can Be Tracked Only to a Limited Degree

- Decision package monies are not identified separately from other state-appropriated General Fund and tuition and fees dollars;
- Expenditures related specifically to decision package appropriations are not usually captured in accounting records;
- After the initial appropriation, the State Appropriations Reports do not track approved decision packages; and
- Some decision packages are not separated from existing programs.

**Total spending is appropriate**—We found that the universities are spending the full dollar amount appropriated for programs related to decision packages, plus additional monies.

Although we cannot track the specific dollars approved for the decision packages, this suggests that decision package monies have not been shifted to other purposes, but have been used for the intended purposes and then supplemented with other monies.

### Examples include:

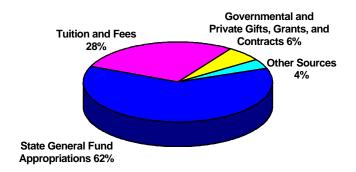
- UA 1997 decision package to improve undergraduate education:
  - —1997 to 1999 appropriated \$900,000
  - —1997 to 1999 spent \$1,855,405.
- ➤ NAU 1998 decision package regarding ecosystem restoration and conservation in the forest environment:
  - —1998 to 1999 appropriated \$502,600
  - -1998 to 1999 spent \$937,424.

## **Tuition and Fees Substantially Increased Since 1990**

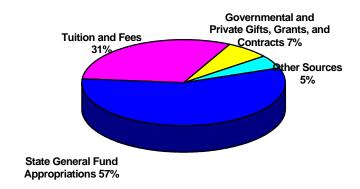
Tuition and fees revenues totaled \$388,110,000 in fiscal year 1999, an increase of 79 percent over the last 10 years. These revenues have gradually increased as a proportion of the universities' unrestricted revenues, from 28 percent in fiscal year 1990 to 31 percent in fiscal year 1999. During the same period, state General Fund appropriations decreased in proportion from 62 percent in fiscal year 1990 to 57 percent in fiscal year 1999.

### University Revenue Sources

### 1990



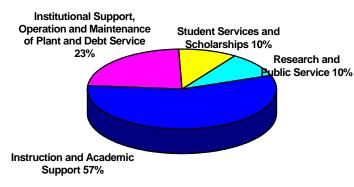
#### 1999



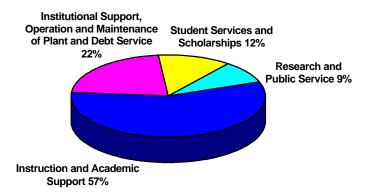
Over the past 10 years, instruction and academic support expenditures have averaged 57 percent of total operating expenditures, indicating that a majority of the universities' unrestricted operating revenues are used for providing instruction, academic materials, and direct support of instruction. However, specific expenditures paid for by tuition and fees cannot be determined because the universities are not required to separate the expenditures by revenue source.

### University Expenditures





#### 1999



### Funding for Student Enrollment Growth Follows Student Changes

Over 40 years ago the universities, the Board of Regents, and the Joint Legislative Budget Committee developed the "22-to-1" formula to assist the universities in making budget requests. The formula's premise is that for every 22 additional FTE students, the universities can request one additional full-time faculty position, a quarter-time secretary, a half-time support position, and associated support costs. For enrollment reductions, the universities would request a comparable decrease.

Funding slightly lower than formula—From 1994 to 1999, the universities generally did not receive as much funding or as many positions as the formula provides. On average, when student growth occurred, the universities received 91 percent of the formula recommended FTEs and 87 percent of the dollars.

Additionally, when student enrollment declined, staff reductions were about 5 percent greater and funding reductions were about 2 percent greater than called for by the formula.

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NAU's 1999 funding reduction exceeded the formula amount by 35%.



Funding followed enrollment growth—Although funding was often slightly below the amount calculated by the formula, funding did follow the enrollment growth patterns. In the six fiscal years we reviewed:

- When enrollment increased there was an increase in funding; and
- ➤ When enrollment declined there was a funding reduction.

Overall, from 1994 to 1999 there was a:

- ➤ 6.3 percent increase in student enrollment;
- ➤ 4.4 percent increase in funding for student growth; and
- ➤ 4.2 percent increase in FTEs (560 positions).

### **To Obtain More Information**

A copy of the full report can be obtained by calling (602) 553-0333 or by visiting our Web site at:

www.auditorgen.state.az.us

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