



## Arizona’s Public University System – 2017 Legislative Priorities

### Resident Student Funding Model

- For FY 2018, the proposed resident student budget request sets 2020 as the year in which the state will reach the 50 percent funding goal, where the state and universities each cover 50 percent of the cost to educate a resident student.
- The state is currently \$233.6 million short of reaching the 50 percent mark. Using a three-year “phase in”, the amount requested in new state appropriations for progress toward goal in FY 2018 is \$77.8 million system wide.
- The state must also recognize not just existing resident students but new resident students so as not to lose ground on its progress towards the 50 percent goal.
  - This is consistent with other major state funding formulas that support services and programs for individuals, such as K-12, AHCCCS and DES, which increase base appropriations each year to accommodate new qualified individuals.
  - This year, the system added 1,773 new resident FTE.

Including growth, the full operating request is:

FY 2018 Operating Request	
ASU	\$45.7M
NAU	\$19.9M
UA	\$20.7M
<b>Total</b>	<b>\$86.3M</b>

### Capital Needs

- The universities are facing a capital crisis with over \$671M in unmet renewal needs.
  - Includes high priority items such as fire alarms, roofs and asbestos abatement.
  - Increasing enrollment and expanded research missions also driving capital needs.

FY 2018 Capital Request	
ASU	\$12.2M
NAU	\$5.7M
UA	\$12.2M
<b>Total</b>	<b>\$30.1M</b>

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### Employee Health Insurance

- The State of Arizona, through the Department of Administration (ADOA), currently provides health benefits for state employees. By ADOA rule, the ASU and UA are required to participate in this health insurance plan.
- Last February, ADOA and the universities commissioned a report on the costs of university participation in the ADOA plan. The report determined that ASU and UA could save approximately \$30 million per year by separating from the ADOA plan.
- In FY 2017, the state plans to sweep \$79 million from the ADOA health care plan into the state general fund.
- NAU already has a statutory exemption from the ADOA plan and currently operates a health care plan independent of ADOA.

Health Insurance Savings	University System Plan	Individual University Plan
State	(\$34.9 M)	(\$34.9 M)
ASU	\$10.9 M	(\$3.7 M)
NAU	\$9.5 M	\$1.5 M
UA	\$11.5 M	\$28.8 M

#### Proposal

- Allow the university system to seek a strategically planned transition from the state health benefits plan to a tri-university health insurance plan or individual insurance plans by university.
- ABOR and universities undergo RFP process with the new plan(s) projected to take effect at the conclusion of the state’s current health insurance contract, which if renewed as expected, concludes December 31, 2019.
- NAU, which currently operates its own health plan could either join a tri-university plan or continue operating its own plan.

#### Talking Points

- Arizona universities must move toward a more sustainable, competitive and cost-effective benefits program to provide total compensation programs that appeal to a high-quality university workforce.
- The Health Insurance Trust Fund must be reformed to prevent university employees from paying an unfair share into the fund.
- Allow the universities to leverage their strategic partnerships and innovations to secure health plans that fit the needs of university employees.

### **Benefits Eligibility Status**

- The federal government requires employers to offer benefits for full-time employees; full-time employees are defined as working 30 hours per week.
- However, ADOA requires stricter coverage by mandating employers offer benefits for employees working 20 hours per week.

#### Proposal

- Allow the universities to adhere to the less burdensome federal regulations by setting the minimum hours worked per week to trigger benefits eligibility at 30 hours per week.
- Universities will seek ability to grandfather current employees at their current benefits eligibility threshold.

#### Talking Points

- The state is over-regulating and styming university operations by essentially mandating benefits be provided for half-time employees.
- The public university system likely to save several million dollars per year.
- Student workers still eligible for university provided student benefits programs.

### **ASU Budget Unit Consolidation**

- ASU is divided into three budget units by campus for the purposes of state appropriations.
- ASU Tempe and Downtown are combined as a single budget unit and ASU East and ASU West are designated as their own individual budget units.
- ASU receives other line item appropriations in the state budget (e.g., the School of Civic and Economic Thought and Leadership, research infrastructure, biomedical informatics), however these items are not considered separate budget units, they are specific appropriations to designated ASU campuses.

#### Proposal

- Consolidate the three ASU budget units (ASU Tempe & Downtown, ASU East, and ASU West) into a single budget unit.

### Talking Points

- ASU operates as a single university with multiple campuses (e.g., one provost for the entire university rather than provosts at each campus), isolating revenues by campus is overregulation and hinders efficiency and innovation.
- All ASU campuses have grown substantially over the past several years and are backed by strategic plans moving forward.