



Arizona State University Strategic Plan and Key Policy Concerns

Overview

Arizona State University developed a 10-year comprehensive strategic plan in 2002 which guides the development of the university, new programs, and strategic investments. This strategic plan identifies the design aspirations needed for Arizona State University to become a model for the New American University, and defines the investments and activities that will be the defining force in achieving that goal. A summary of the plan and its key elements is attached.

The strategic plan centers on four basic university goals, all of which are interdependent but critical to achieving the design aspirations. **Access and quality for all** recognizes our responsibility to provide higher education opportunity to all qualified citizens of the State of Arizona, without impacting quality. It also provides a focus on the individual, with opportunities for study that transcend traditional boundaries and enable students to take advantage of one university in many places. Individuals have options for coursework on any and all of the ASU campuses. With different focuses at each of the four campuses in multiple disciplines, educational opportunities are limitless.

A second key goal is the establishment of **national standing for colleges and schools in every field**. In order to accomplish this goal, further recruitment of nationally recognized faculty is critical. Our success will also enable ASU to attract the best and brightest students not only within the State of Arizona, but nationally. The focus on transdisciplinary study will continue to propel the university into the national spotlight by preparing the next generation of leaders, scientists and educators in multiple fields that are required to continue to advance society.

Recognition of academic and research achievement is key to furthering the quality of the university among its peers, and bringing recognition to the State of Arizona for educational quality and opportunity. **Becoming a national comprehensive university by 2012** is a goal that is vital not only for the university, but for the state. Achievement of this goal will build regional competitiveness and bring national and global distinction to the region and state. Programs such as the BioDesign Institute and the Global Institute of Sustainability have begun to accelerate the achievement of this goal, but much more development must happen to fully recognize the potential from these and similar initiatives.

The fourth goal recognizes the university's responsibility toward the region it serves, and focuses on **enhancing our local impact and social embeddedness**. Substantial progress has been made, through programs that focus on improving K-12 education and therefore the readiness of Arizona students to enter higher education such as the K-12 Educational Partnership, and the Decision Theater at Arizona State University that enables civic leaders to visualize the impact of policy decisions to be made. This goal seeks to identify primarily non-state funding sources for execution and expansion of these programs.



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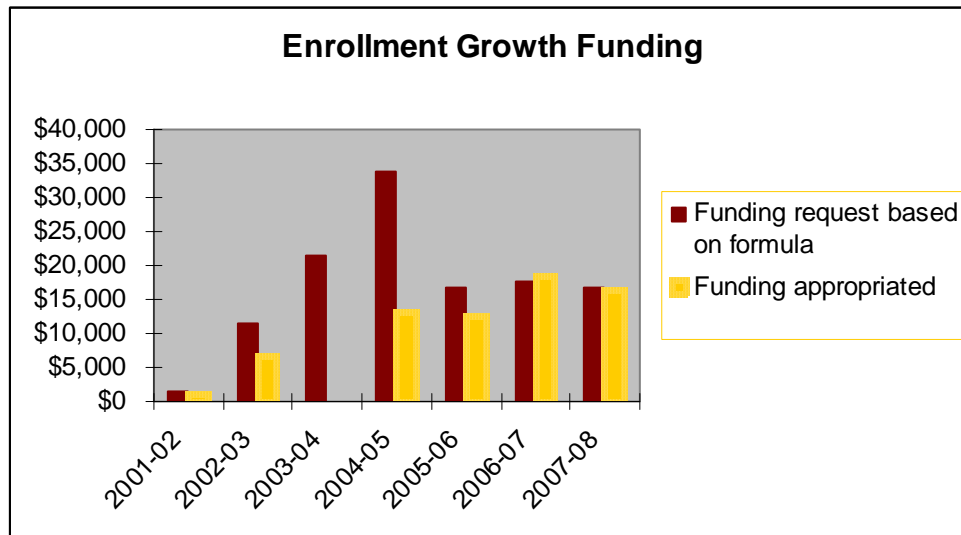
Key Issues Impeding Progress toward Goals

Enrollment Growth Funding

Arizona State University has attracted 88% of the FTE student growth in the Arizona University System since Fall 2002. Such growth is welcome as it puts the University in the unique position to serve the needs of one of the fastest growing states and regions in the country, and is consistent with the goal of access and quality for all. University expansion is critical for providing access to all qualified citizens of Arizona who wish to pursue higher education. But the expansion must not come at the expense of quality.

To that end, however, enrollment growth funding from the state has been inconsistent and less than adequate. It is important to note that enrollment growth funding provides the basic resources needed to accommodate the increased student population, but does not further advance quality or access for students. It enables ASU to hire the faculty necessary to meet the increased schedule demands from the larger student body. When full funding is not provided, there is a resulting increase in the size of classes, and in the needs for academic support and ancillary services. These actions all have an impact on the quality of the education provided. Furthermore, the current funding model does not recognize the total costs of supporting sustained growth. It does not recognize the need, for example, for capital investment to provide the facilities needed for a growing student body, nor does it take into account realities of inflation.

Since 2002, funding provided for enrollment growth funding has fallen short of the formula request by \$50 million. The following chart compares the funding provided versus the funding requested based on the formulaic calculation:

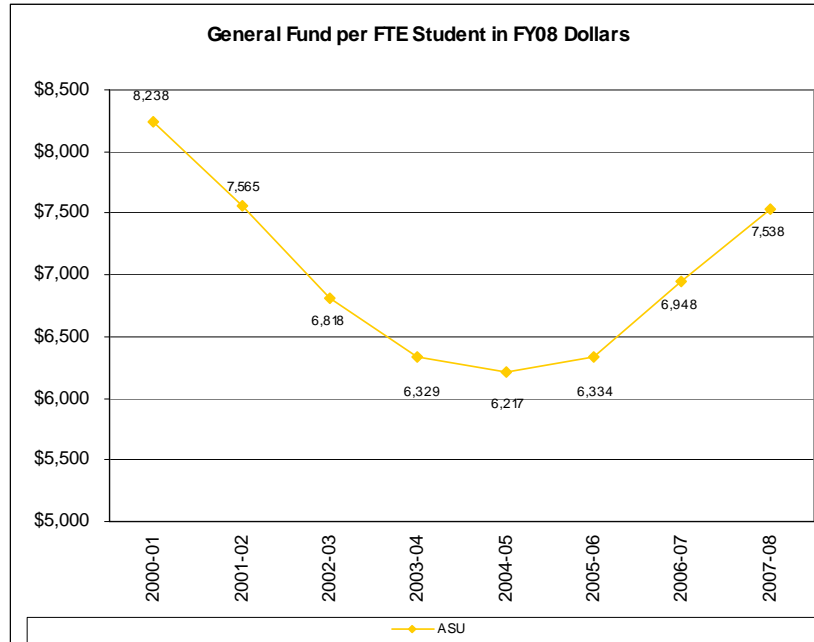


During 2003, marginal enrollment growth funding was provided, but was offset by general budget cuts, having the effect of not having provided enrollment growth funding at all. In 2004, no enrollment growth was funded, and in addition, general fund appropriations were cut, further depleting the funding available to maintain the quality afforded students. The



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following chart demonstrates the impact of those cuts on funding per FTE, based in current dollars:



Funding Structure

General fund support per FTE student at each of Arizona's three universities widely varies, with ASU's funding substantially lower than that of The University of Arizona or Northern Arizona University. This structure stems both from the inconsistent funding for enrollment growth discussed above and the higher proportions of funding provided for program enhancements at the other institutions. The funding for enrollment growth is often seen by the legislature as a strategic investment for ASU, which when funded allows for alternate investments elsewhere. For example, for the 2007-08 fiscal year, ASU received a 17% increase in funding, of which \$16.5 million was to support enrollment growth. The average state funding per FTE, based on anticipated Fall 2007 enrollment, increased by \$839, while funding per FTE increased by \$1,425 and \$975 at NAU and UA, respectively. Currently, UA receives \$2,056 more general fund support per FTE than ASU, and NAU \$1,205 more. If ASU were to receive funding that were more comparable to the two other state universities, much could be done to advance academic quality, access and national standing. In recognition of the need to enhance retention and graduation, the State of Arizona provided \$15 million to ASU for enhancing such programs, and while it provides the basis for improving class size and academic support, much more is needed. As we continue to lag our sister universities in funding per FTE, student support will continue to be impacted. The funding structure currently in place challenges each one of ASU's strategic goals. Adequate funding per FTE would allow the university to appropriately invest in programs to establish national standing for colleges and schools in every field, provide better access and quality for students, and fully achieve the national comprehensive university status toward which we have already made major progress.



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Competitive Salary Pressures and Other Inflationary Impacts

Arizona State University has made substantial progress in improving faculty salaries, enabling the university to recruit and retain highly recognized and respected academics in a variety of fields. It is critical that the investment in faculty salaries continue if ASU is to continue building an enterprise that is nationally recognized for the education it provides with national standing in every field, as well as a national comprehensive organization that builds regional competitiveness.

In order to further these goals, ASU has chosen to supplement the State's investment to improve salaries with additional funding coming primarily from tuition. We have been able to advance the median salary of all ranked faculty at ASU from the 16th percentile in Fall 2003 to the 41st percentile in Fall 2006 when compared to our peers. Nonetheless, the average salary falls short of the median by \$3,900. As the ASU reputation continues to strengthen in the national marketplace, there will be increased upward pressure on faculty salaries which will need to be met if we are to continue to recruit top performers in key fields. Furthermore, the issue of compression and inversion continues to be a problem, as longer-term faculty who are key contributors to the success of the university, while having had substantive increases have not necessarily reached market compensation. These issues are particularly relevant at the West and Polytechnic campuses:



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Arizona State University Tempe
Fall 2006 AAUP Faculty Salary Comparisons
ALL RANKED FACULTY

(Professor, Associate Professor and Assistant Professor)
Based on AAUP Fall 2006 Salary Data for Combined ASU/UA Peers and Other Comparators⁽¹⁾
(Institutions in order of Fall 2006 Salary)

Rank	Institution/Comparator	Fall 2006 Salary ⁽²⁾	Change From Fall 2005 ⁽³⁾	Number Of Faculty	Percentile Rank		
					Fall 2006	Fall 2005	Fall 2004
1	U California at Berkeley	\$105,500	+4.2%	1391	96	96	96
2	U California at Los Angeles	104700	+4.1%	1772	87	87	92
2	U Michigan at Ann Arbor	104700	+3.6%	1988	87	91	86
4	U Virginia	102900	+4.5%	1104	84	84	84
5	U North Carolina at Chapel Hill	101900	+9.8%	1200	81	59	77
6	U Maryland at College Park	100200	+4.3%	1359	77	80	80
75th Percentile		99,800	+5.4%		75		
7	Rutgers U at New Brunswick	99600	+5.6%	1395	74	69	69
8	U Connecticut	99100	+4.5%	1113	71	77	66
9	U Texas at Austin	98000	+5.6%	1869	66	59	59
10	U Illinois at Urbana	97400	+3.3%	1849	61	69	69
60th Percentile		97,200	+4.6%		60		
11	Temple U	97000	+4.1%	921	59	66	64
12	U Minnesota - Twin Cities	95100	+5.9%	1694	55	49	48
50th Percentile (Peer Median)		94,500	+5.0%		50		
13	Ohio State U - Main	94300	+4.2%	2227	49	53	53
Public BIG 10 Weighted Average		94,300	+3.9%				
Public PAC 10 Weighted Average		92,200	+4.4%				
14	U Illinois at Chicago	91700	+4.1%	953	46	46	46
15	Arizona State U Tempe ⁽⁴⁾	91,600	+5.9%	1383	46	39	34
16	U Washington	90800	+6.2%	1679	42	26	23
Arizona State U All Campuses⁽⁵⁾		90,600	+6.0%	1649	41	26	29
17	Michigan State U	89800	+3.6%	2106	37	41	41
18	U Iowa	89500	+4.4%	1224	34	31	35
19	U Colorado at Boulder	89200	+4.0%	981	31	34	38
20	Texas A & M - Main	88900	+3.3%	1692	27	36	27
21	U Arizona ⁽⁴⁾	88,300	+4.7%	1350	25	21	18
25th Percentile		88,200	+3.4%		25		
22	U Wisconsin at Madison	87300	+2.6%	1396	23	23	32
23	U Florida	87000	+4.2%	1849	18	18	18
24	U Utah	85800	+5.5%	894	16	16	13
25	U Kansas	85100	+5.7%	1007	13	11	5
26	U Oklahoma	84800	+9.8%	902	11	3	0
ASU Polytechnic⁽⁶⁾		84100	+8.8%	109			
27	U Nebraska at Lincoln	83600	+3.6%	954	9	14	16
28	Florida State U	82500	+7.4%	1110	6	0	2
29	U Missouri at Columbia	81000	+3.1%	1055	3	8	11
ASU West⁽⁶⁾		80300	+5.2%	157			
30	U Cincinnati	79600	+2.6%	1210	0	5	5

(1) Source: March/April 2007 edition of *Academe*.

(2) Salaries are weighted averages based on the combined ASU/UA faculty distribution.

(3) Percentage change in salary based on AAUP reported salaries for Fall 2006 Vs Fall 2005.

(4) ASU Tempe and UA are not part of the percentile distribution of peers calculation. The table includes ASU Tempe and UA to show how their average salaries compare with those of the peer institutions.

(5) ASU All Campuses is included for informational purposes only.

(6) ASU West and Polytechnic do not share the combined ASU/UA peer group and are included for informational purposes only.

In addition to pressures on faculty salaries, ASU continues to experience similar concerns with classified and service professional staff salaries. Despite recent salary packages for all employees, salaries continue to fall behind comparable jobs in ASU's competitive marketplace. Analysis of compensation data for 2006 indicated that 65% of the benchmark jobs were not market competitive, and for all jobs, the overall average salary variance was 9.4% below market.

Other inflationary costs have also put pressure on the university. Energy costs, in particular, have proven to be a particularly difficult unfunded requirement. In the past 5 years, utility cost at Arizona State University, attributable to the state budget (academic instruction and support), have risen 110%, or \$16.7million. Energy costs across the country have also



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impacted the price of goods in general. This inflationary pressure has required that the university use tuition funding, which should be available to further enhance quality to instead be used to maintain operations. The lack of recognition of funding needs related to inflationary pressures will continue to put a strain on funding adequacy.

Lack of State Investment in Financial Aid

A critical aspect to affordability in higher education is the availability of financial aid. Consistent with the goal of access coupled with quality, financial aid provides the basis for many students from disadvantaged backgrounds to attend the university and become a more productive citizen of the State of Arizona.

The State of Arizona has directed the establishment of the Arizona Financial Aid Trust (AFAT) at the Board of Regents, which is partially funded through state appropriation, and partially funded through the collection of a 1% fee from all students. AFAT is required, by state law, to retain at least 25% of all annual receipts to form a permanent financial aid endowment. The funding distributed in FY05 to the universities to provide financial assistance to students totaled \$3.8 million. In FY07, the State of Arizona increased the general fund appropriation for AFAT by \$5 million in FY07 to \$7.5 million.

The lack of support for financial aid for students seeking a higher education requires that the universities find alternate sources for providing financial aid. The State of Arizona prohibits the use of general fund appropriations to support financial aid, which requires that the universities use tuition funding to meet these needs. At Arizona State University, significant progress has been made in establishing more funding availability for students, both by increasing tuition and setting aside proportionally more funding for financial aid. The Board of Regents set policy to set aside the equivalent of 14% of resident undergraduate tuition for all students, regardless of residency or academic level. In 2006, Arizona State University made the decision to increase that set aside to 15%. However, the lack of support from the state once again requires that tuition funding be directed to support aid, rather than used to enhance academic quality or invest in key programs.

By comparison, many other states provide significant financial aid support to students in the state. Based on the annual survey compiled by the National Association of State Grant and Aid Programs, Arizona ranks 48th out of 52 reporting entities (50 states plus Washington, DC and Puerto Rico), in the grant aid provided on a per capita basis as well as per capita for the 18-24 year old population. Those states at the median position in the survey provided approximately thirty times more support per capita than the State of Arizona. Table 11 below, from the aforementioned survey, details the ranking of all states on per capita support for grant-based financial aid:



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Table 11. Estimated Grant Dollars per Population, by State: 2004-05

State	Estimated Population	Total Grant Dollars/Population	State	Estimated Population Age 18-24	Total Grant Dollars/Population Age 18-24
1. South Carolina	4,198,068	58.21	1. South Carolina	428,864	569.84
2. Washington DC	553,523	56.65	2. Washington DC	57,899	541.57
3. Georgia	8,829,383	51.99	3. Georgia	901,607	509.14
4. New York	19,227,088	47.36	4. New York	1,825,192	498.89
5. Indiana	6,237,569	44.39	5. Indiana	632,427	437.82
6. Kentucky	4,145,922	38.61	6. Kentucky	412,635	387.98
7. West Virginia	1,815,354	35.91	7. West Virginia	172,806	377.19
8. New Mexico	1,903,289	30.93	8. New Jersey	743,937	334.21
9. Pennsylvania	12,406,292	29.49	9. Pennsylvania	1,185,180	308.69
10. Illinois	12,713,634	29.15	10. Illinois	1,260,365	294.07
11. New Jersey	8,698,879	28.58	11. New Mexico	206,085	285.62
12. Vermont	621,394	27.17	12. Vermont	62,080	271.98
13. Louisiana	4,515,770	26.17	13. Minnesota	530,997	246.82
14. Minnesota	5,100,958	25.69	14. Florida	1,549,324	240.32
15. Washington	6,203,788	24.08	15. Tennessee	575,689	237.35
16. Tennessee	5,900,962	23.16	16. Washington	634,717	235.40
17. Florida	17,397,161	21.40	17. Louisiana	503,192	234.82
18. North Carolina	8,541,221	21.29	18. North Carolina	828,100	219.60
19. Ohio	11,459,011	20.86	19. Ohio	1,127,662	211.98
20. California	35,893,799	20.16	20. Michigan	996,571	201.90
21. Michigan	10,112,620	19.90	21. California	3,596,126	201.20
22. Virginia	7,459,827	18.48	22. Nevada	209,851	195.26
23. Nevada	2,334,771	17.55	23. Virginia	748,049	184.25
24. Iowa	2,954,451	17.35	24. Iowa	316,404	161.98
25. Texas	22,490,022	16.08	25. Texas	2,400,474	150.67
26. Delaware	830,364	15.15	26. Delaware	83,684	150.35
27. Wisconsin	5,509,026	14.94	27. Wisconsin	574,901	143.15
28. Oklahoma	3,523,553	13.51	28. Colorado	456,691	135.95
29. Colorado	4,601,403	13.49	29. Massachusetts	598,047	132.98
30. Rhode Island	1,080,632	12.90	30. Maryland	521,202	129.36
31. Massachusetts	6,416,505	12.39	31. Rhode Island	112,484	123.98
32. Maryland	5,558,058	12.13	32. Oklahoma	385,439	123.48
33. Connecticut	3,503,604	10.50	33. Connecticut	310,612	118.39
34. Missouri	5,754,618	9.93	34. Maine	124,451	104.33
35. Maine	1,317,253	9.86	35. Missouri	589,309	96.95
36. Puerto Rico	3,894,855	9.52	36. Puerto Rico	416,020	89.11
37. Arkansas	2,752,629	7.68	37. Arkansas	279,818	75.60
38. Mississippi	2,902,966	7.42	38. Mississippi	323,150	66.67
39. Oregon	3,594,586	6.47	39. Oregon	350,458	66.39
40. Kansas	2,735,502	5.84	40. Kansas	299,476	53.31
41. Nebraska	1,747,214	4.77	41. Nebraska	190,767	43.70
42. Idaho	1,393,262	3.98	42. Idaho	156,734	35.42
43. Utah	2,389,039	3.48	43. Montana	99,049	30.47
44. Montana	926,865	3.26	44. New Hampshire	122,278	29.83
45. North Dakota	634,366	2.85	45. Utah	312,896	26.57
46. New Hampshire	1,299,500	2.81	46. North Dakota	76,665	23.56
47. Alabama	4,530,182	1.13	47. Alabama	455,878	11.20
48. Arizona	5,743,834	0.52	48. Arizona	570,795	5.21
49. Hawaii	1,262,840	0.33	49. Hawaii	126,248	3.31
50. Wyoming	506,529	0.33	50. Wyoming	57,231	2.91
51. Alaska	655,435	-	51. Alaska	73,960	0.00
52. South Dakota	770,883	-	52. South Dakota	86,646	0.00
Nation	297,550,259	22.46	Nation	29,245,102	228.55

July 2004 Population estimates from U.S. Census Bureau.
See population data end note.

Source: 36th Annual Survey Report on State-Sponsored Student Financial Aid, 2004-2005 Academic Year, National Association of State Student Grant and Aid Programs

Lack of State Capital Funding Program

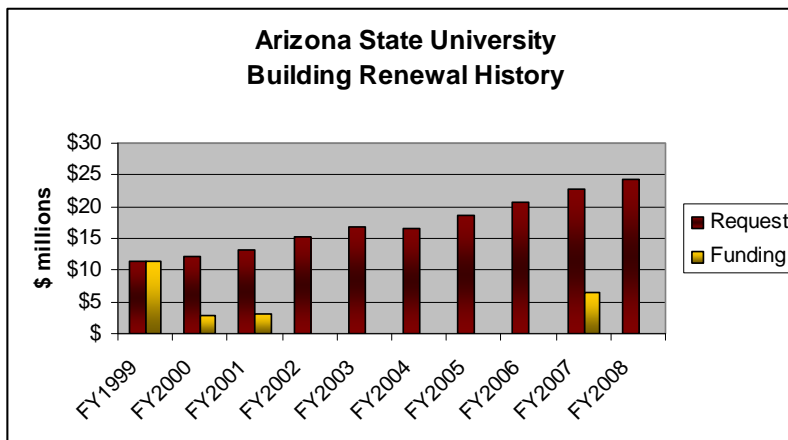
The State of Arizona has chronically under funded capital investment for the universities. The under funding stems from two key fundamentals: first, the state has not provided regular funding for structural development of the campuses, including buildings and infrastructure, and second, has not consistently provided building renewal funding to keep the buildings on campus in good repair and working order.



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The State of Arizona has historically made a policy decision not to provide regular capital funding for investment in the buildings and infrastructure of the state university campuses. This has required the universities to use the bond capital markets to finance building growth and renovation, thereby increasing the debt load far beyond that of our peers in most states. According to Moody's Investor Service, "The still active roll of the state in providing capital has generally resulted in lower leverage than would be the case if public universities had to borrow for all of their capital needs. Two notable exceptions to this rule are New Jersey and Arizona, where public colleges and universities have long had to borrow on their own credit for nearly all of their capital needs. Consequently, public institutions in these states are much more leveraged than their counterparts in other states."¹

The State's building renewal formula is based on the development of a deferred maintenance cost for state eligible facilities. ARS 41-790 defines Building Renewal as "major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building's expected useful life." Building renewal does not include new building additions, new infrastructure additions, landscaping and area beautification, routine maintenance or demolition and removal of a building. For purposes of developing the formula request, ASU includes only eligible facilities (residence halls and most auxiliary facilities do not qualify). The following chart compares annual state appropriations to the statutory formula request for the past ten years. It is important to note that in the 22 year history of the building renewal formula, full funding was provided only once, in 1999. In the past ten years, ASU has received only 13.8% of the funding requested, and has received no funding in six of the ten years:



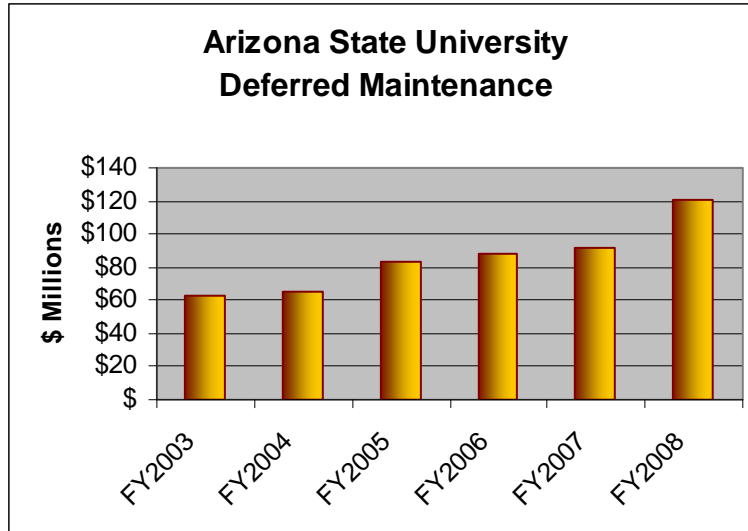
The lack of state investment to address deferred maintenance or for new facilities forces the universities, to the extent feasible, to use tuition dollars to support the debt service on the bonds used to finance the construction and renovation of buildings and infrastructure, as well as critical repairs in years when building renewal funding is not provided. It also results

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- ¹ "Rating Methodology, Public Colleges and Universities", Moody's Investors Service, November 2006, p. 4.



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in a growing backlog in deferred maintenance costs. As of June 30, 2006 ASU had an estimated deferred maintenance cost of \$120.1 million. Lack of state investment in capital needs will cause this cost to continue to grow:



Multiple State Appropriations

One of the key tenets of ASU's strategic plan is the creation of One University in Many Places. This focus places great emphasis on interdisciplinary work, which transcends departments, colleges and campuses. It focuses on providing more integrated and modern academics, rather than department-based training. It requires that faculty from all campuses seek new relationships in academic programs, across departments and campuses in order to deliver the kinds of programs that will educate the next generation of leaders in the State of Arizona and nationally. The focus at each of the campuses has turned more toward the delivery of academic programs and related research rather than the historic campus-centric model.

To that end, over the past year, much work has been done to centralize administrative support function responsibility in order to standardize the level of support available to all members of the university community, to encourage a one-university in many places mentality, and break down campus-centric cultures. The State's current budget structure delineates ASU's funding into three budgets based on campus, with a special line item in the Tempe campus to account for the funding for the Downtown campus. This funding and budget structure goes counter to the new cultural and operational structure, and requires that the university retain budget structures that are artifacts of the old campus-centric model. Services that are now managed centrally must continue to maintain budgets in multiple organizations, based on the location of the service provided. This reduces the potential efficiency of those organizations. Furthermore, it discourages the university community's ability to be nimble and creative, by inhibiting cross-campus expenditures. ASU's sister universities have established single budgets for multiple campuses, and ASU believes it could better achieve its mission and goals with a single state budget.