

**EXECUTIVE SUMMARY**

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**DISCUSSION ITEM:** DEVELOPMENT OF FY 2009 STATE OPERATING BUDGET REQUESTS

**ISSUE:** The Board is asked to discuss development of State Operating Budget Requests for FY 2009. In August 2007, the Board will be asked to review preliminary requests. Final Board review and action on the requests are scheduled for the September 2007 meeting. Following the September meeting, the Board-approved budget requests will be forwarded to the Governor and Legislature.

**BACKGROUND:**

- ▶ In accordance with A.R.S. §35-113, the central office will request an extension for submitting the FY 2009 State Operating Budget Requests from September 1 to October 1, 2007, in order to incorporate Fall 21-day enrollment data.
- ▶ In June 2006, the Governor's Office of Strategic Planning and Budgeting (OSPB) issued budget guidelines for the development of both the FY 2008 and FY 2009 state budgets. The guidelines permit adjustments for new unfunded mandates, statutory funding formulas, new entitlement caseload funding requirements, and adjustments such as rent or other contractual obligations.
- ▶ The proposed process for developing the FY 2009 requests expands on the Governor's guidelines, and is similar to that approved by the Board in the past. The proposed guidelines include adjustments to the continuation base budget, and decision package requests for new or expanded programs, and for the development of programs related to the universities' strategic initiatives.
- ▶ The universities will present preliminary budget requests to the Board in August 2007. At that time, the Board will have an opportunity to review the budget proposals, modify them, and provide guidance as to their final form. At the September meeting, the Board is scheduled to take final action on the FY 2009 State Operating Budget Requests, including changes made in response to the Board's direction at its August meeting.
- ▶ In determining the State Operating Budget Requests to be sent to the Governor and the Legislature, the Board customarily considers university goals and objectives, and links the budget requests to the achievement of the Board's prioritized goals and objectives for the university system.

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- ▶ The proposed elements of the FY 2009 State Operating Budget Requests include the following adjustments:
  - ▶ **CONTINUATION BASE BUDGET:**
    - ▶ Demographic/workload increases:
      - 22:1 Enrollment Growth Formula
      - Performance Funding Formula
      - Academic and Program support for developing campuses
      - New Facilities Support for new facilities planned to open in FY 2009 which will require partial or full-year operating support
      - Student Financial Assistance Programs: Western Interstate Commission on Higher Education (WICHE) and the Arizona Financial Aid Trust (AFAT)
    - ▶ Annualization of new facilities opening in FY 2008 which will require full-year operating support, or employer -related expenses (ERE) that received partial-year funding in FY 2008 which will require full-year funding.
    - ▶ Mandated increases to meet constitutional, statutory, court-ordered, legislative, or regulatory requirements imposed during FY 2008.
    - ▶ Other adjustments such as central office rent.
  - ▶ **DECISION PACKAGE REQUESTS:**
    - ▶ New or expanded programs
    - ▶ Development of universities' strategic initiatives
    - ▶ Other priorities as determined by the Board, each university and the central office
- ▶ As required by state statute, an Annual Personnel Report for the Arizona University System and the universities' Capital Improvement Plans will also be submitted with the FY 2009 State Operating Budget Requests.

### **RECOMMENDATION:**

That the Board provide guidance to the universities and central office for the development of the preliminary FY 2009 State Operating Budget Requests.