

EXECUTIVE SUMMARY

DISCUSSION ITEM: REDESIGNING ARIZONA'S UNIVERSITY SYSTEM

ISSUE: The Board will participate in a study session to review the proposed redesign of Arizona's university system in order to meet the anticipated growth in student enrollment.

BACKGROUND:

Meeting the heavy demand for a quality university education will be one of the most formidable challenges faced by Arizona's university system in the years ahead. Population growth rates and student enrollments are expected to skyrocket during the next two decades, and the university system must be able to accommodate the tens of thousands of students that will be knocking on the universities' doors.

The university system already is stressed by a record number of student enrollments, and the capacity of the universities to meet current demand is severely strained. The situation will worsen in the future unless the system is positioned to handle further growth.

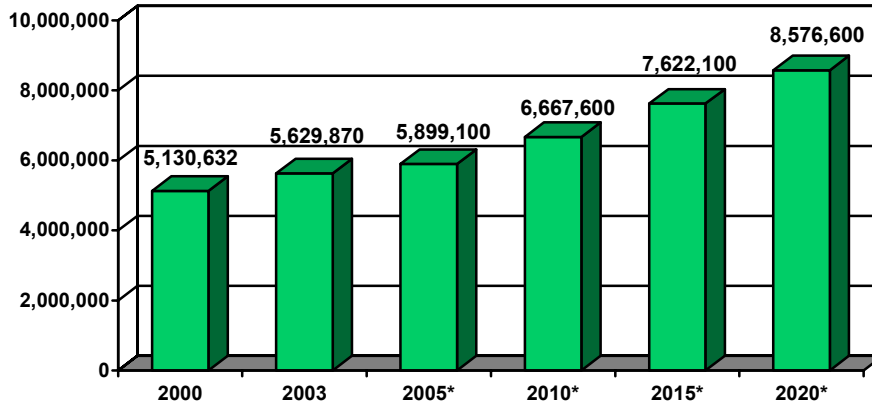
To this end, the Board of Regents should examine the organizational structure of the university system to determine if it is appropriately designed to accommodate the expected growth. The present design – three universities governed by the Board of Regents -- has been in place since 1966 when Northern Arizona University became a full-fledged university. Since then, Arizona's population has grown rapidly and the landscape of higher education and the economy has changed dramatically. While the university system's organizational structure has served Arizona well over the years, it would be an appropriate time for the Board to review its effectiveness in meeting tomorrow's needs.

The situation

Arizona's population, which more than tripled over the past three decades, is expected to balloon even higher in the next several years. As reflected in the chart on the next page, Arizona's population is expected to increase by almost 54 percent, soaring from approximately 5.6 million residents in 2003 to approximately 8.6 million residents in 2020.

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Arizona's Growth in Population

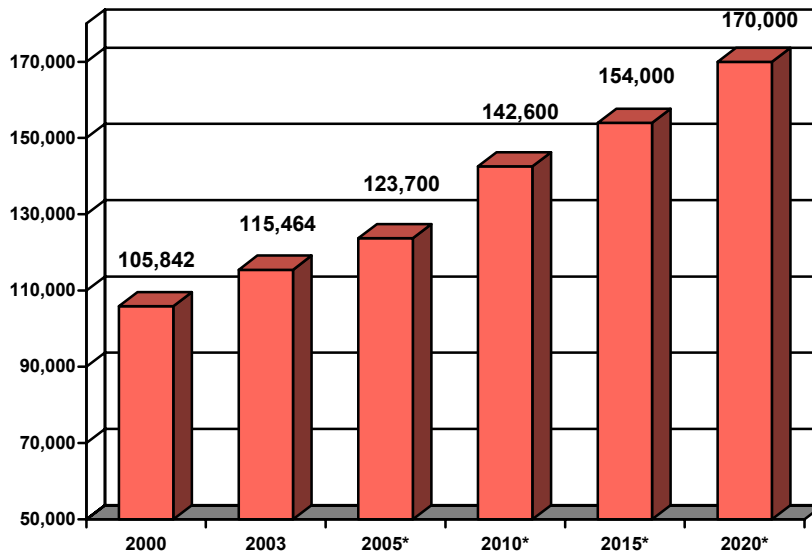


Source: Arizona Board of Regents
May 2004

*Projection

For the university system, this means a tremendous growth in student enrollments. Student enrollments now number more than 115,000 and, as depicted in the chart below, are projected to increase by 48 percent to 170,000 by 2020.

PROJECTED UNIVERSITY ENROLLMENTS



Source: Arizona Board of Regents
May 2004

*Projection

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Other indicators of the tremendous need and demand for university services in the upcoming years include the following:

- More than 1.2 million Arizonans currently are age 14 or younger, with more than 400,000 under the age of 5 – and all will be reaching college age within the next 20 years.
- In its report, *Measuring Up 2002*, the National Center for Public Policy and Higher Education ranked Arizona 47th in the country based on the percentage of students (only 28 percent) who enroll at either a university or community college immediately after high school. And with respect to young adults, Arizona ranked 45th, with just 26 percent of those age 18-24 attending either a university or community college.
- The Western Interstate Commission for Higher Education forecasts that:
 - Arizona's public high schools will graduate 55.4 percent more students in 2017-18 than in 2001-02 for a total of 72,697 students; and
 - Underrepresented racial/ethnic groups will account for 54 percent of all public high school graduates in 2013-14, with Hispanics making up the largest share. This is up from 39 percent in 2001-02.
- The ethnic makeup of Arizona's high school graduates who are eligible for university admission is expected to change dramatically through 2020. For the 2003-04 academic year underrepresented racial/ethnic groups accounted for approximately 29 percent of the new high school graduates who met the universities' entrance requirements. By 2020, it is projected that students from these groups will constitute 46.3 percent of the newly eligible high school graduates, with Hispanics making up the largest share and experiencing the largest increase. By that year, Hispanic students are expected to make up 32.5 percent of the new high school graduates in Arizona who are eligible for university admission, up from 18.7 percent in 2003-04.
- According to the Census Bureau, Arizona and our state's two largest cities lag behind other states and cities with respect to college-educated residents. In 2002, out of 69 of the country's largest cities for which the Census Bureau reported data, Tucson and Phoenix ranked 43rd and 44th, respectively – each with about 23.5 percent of the population holding at least a Bachelor's degree. Among other states, Arizona ranked 36th in 2002, with 23.2 percent of the state's population having completed a four-year degree.
- Non-traditional students (older students) comprise the fastest growing segment of the postsecondary student population. In its report, *Special Analysis 2002, Nontraditional Undergraduates*, the National Center for Education Statistics

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reported that 39 percent of all postsecondary students were 25 years of age or older in 1999, compared with 28 percent in 1970.

As currently configured, the university system is not well prepared to cope with the impending demand because each university presently is required to be all things to all people. Each must do its best to offer high quality undergraduate education, expand its research programs, play a key role in economic development, fulfill regional education needs, step up workforce development efforts, and embrace growth. But none has the capacity or sufficient public resources to carry out all of these responsibilities equally well.

As enrollments continue to significantly increase, it is important that a cost-effective operating model be in place. To this end, it is recommended that the Board begin a discussion of a different model that would enable the university system, *as a whole*, to meet the state's full range of needs.

As a beginning point for the discussion, a possible operating model is being proposed and presented below. The university presidents support this model, believing that it would serve Arizona far better in the years ahead than the current organizational structure. However, the Board may wish to discuss and consider variations of this model or other models.

DISCUSSION:

A possible operating model

The proposed operating model would involve the creation of two new free-standing "regional universities" that would help Northern Arizona University, Arizona State University, and the University of Arizona to better serve Arizona. As their core mission, the regional universities would focus intensely and primarily on undergraduate education and could be established by realigning existing resources, using infrastructure that's already in place.

The regional universities – perhaps called Arizona Regional Universities – would consist of Northern Arizona University, Central Arizona University, and Southern Arizona University and would be headquartered in Flagstaff. They would center their attention on specific areas of the state and concentrate almost wholly on undergraduate and Masters-level education. Among the regional universities, Ph.D. programs would be offered only at NAU in its established areas of unique expertise and excellence.

Northern Arizona University would retain its signature status as Arizona's premier undergraduate residential university, continuing to concentrate on its core mission of undergraduate education while conducting research in its existing areas of specialization. It also would retain its leadership role in educating non-traditional students both on-line

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and on-site throughout Arizona. NAU's regional responsibilities would extend to Coconino, Mohave, Yavapai, Navajo, Apache, Gila, Graham, and Greenlee counties.

ASU West, already a full-fledged campus with a student body that numbers about 7,100, would detach itself from ASU to become Central Arizona University. ASU West clearly is ready for this next step in its evolution. It currently offers four-year degree programs, has instructional and residential facilities in place, and has plenty of room to grow. Central Arizona University would serve all of Maricopa County, helping ASU meet the tremendous demand in this region of the state.

U of A South -- located primarily in Sierra Vista, Douglas, and Tucson and offering programs in Cochise and Pima counties -- would join NAU-Yuma to form Southern Arizona University. Both U of A South and NAU-Yuma currently offer upper-division courses and partner with community colleges to enable students to complete an undergraduate degree. Southern Arizona University would operate on this same model, continuing to serve Cochise, Pima, and Yuma counties and expanding its service area to include La Paz, Pinal, and Santa Cruz counties. Its enrollment growth would occur largely in Tucson, and Southern Arizona University would be an excellent alternative to the U of A, which has serious growth constraints on its main campus.

The creation of the regional universities would significantly lessen enrollment demands on the U of A and ASU, enabling both universities to enhance the quality of their undergraduate education programs *and* expand their research efforts, which are vital to Arizona's economic development.

ASU could intensify its commitment to metropolitan Phoenix, becoming increasingly more competitive on a research level. ASU East and the Capital Center campus would remain a part of ASU and the university's plan for the future. The U of A would be better positioned to realize the goals of its "focused excellence" initiative and to take its renowned learning and research endeavors to new levels.

All five universities would be committed to ensuring diversity in their student bodies, with well-prepared students and students from all socio-economic levels served equally well in the two research universities and three regional universities.

With respect to administration, the Board of Regents would appoint a president to manage the three regional universities, who, along with the U of A and ASU presidents, would report to the Board. Each of the three regional universities would be directly managed by a chancellor who would report to the president, and the three would operate under one budget approved by the governor and the legislature. A proposed organization chart is provided in Attachment A.

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Strengthening partnerships with Arizona's community colleges

To meet the escalating demand for higher education in both the rural and urban areas of the state, Arizona's universities and community colleges must continue to collaborate and work closely together. The proposed redesign of the university system would further enable and enhance these essential partnerships.

Specifically, higher education centers would exist throughout rural Arizona via cooperative agreements with the community colleges, and additional centers would be created as the regional universities forge new alliances with community colleges. The creation of the regional universities would better position these institutions to work with the community colleges through existing 2 + 2 programs and other arrangements to serve transfer students in the rural counties and throughout the state. At the same time, the large research universities would continue to maintain statewide transfer arrangements and strengthen their unique relationships with community colleges in each of the two large urban counties.

The benefits of the proposed operating model

Redesigning the university system through the creation of regional universities would:

- enhance the university system's capacity to meet the rapidly growing need for higher education and improve rural access to an undergraduate education;
- produce a more cost-effective operating model as a result of its emphasis on undergraduate education, potentially providing for differentiated (and, hopefully, lower) tuition at the three regional universities;
- offer a viable alternative to the two major research universities for those students seeking smaller classes taught principally by tenure-track and tenured faculty;
- create a number of managerial efficiencies, such as consolidated distance learning and shared information technology;
- provide for more local control, enabling the regional universities to tailor their programs and modes of delivery to the needs of their constituents; and
- strengthen regional partnerships with Arizona's community colleges, while preserving and enhancing existing community college relationships.

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Beginning the dialogue

The discussion about redesigning the university system should focus on ensuring that all Arizonans have ample opportunity in the years ahead to obtain a quality university education.

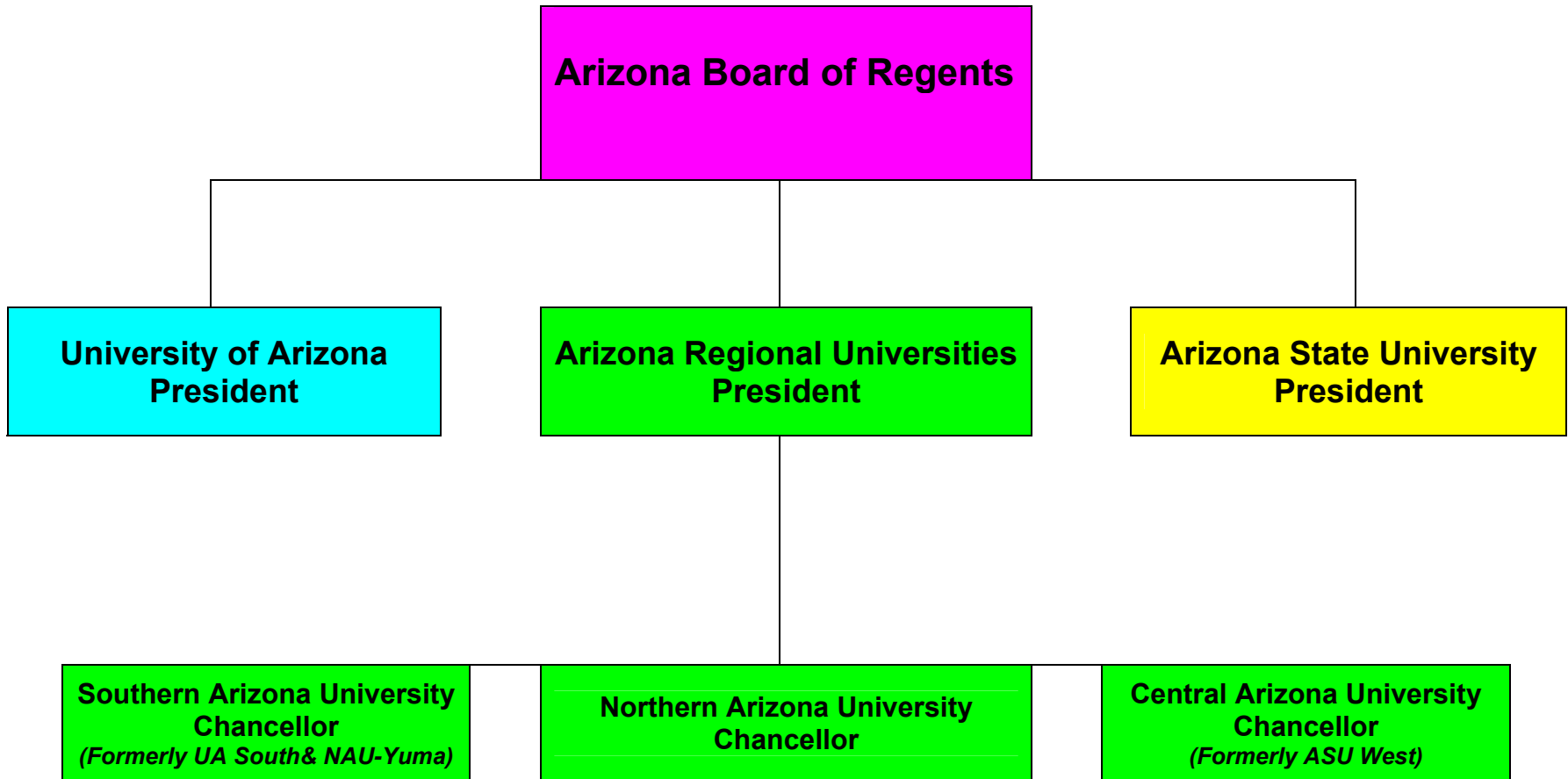
Arizona is below the national average when it comes to the percentage of the state's population with a four-year college degree. In today's knowledge-based economy, a college education is critical to the prosperity and quality of life of our citizens, and Arizona's economic competitiveness hinges upon the degree to which the state is able to develop its human talent.

If the Board determines that the proposed operating model deserves further review and consideration, an extensive feasibility and planning study should be conducted. Such a study might be guided by a set of strategic questions, such as the following:

1. Is the concept for redesigning the university system feasible? Why or why not?
2. What would be the major benefits to stakeholders in the short, intermediate, and long run?
3. What are the disadvantages of the proposed organizational structure and how might these be addressed?
4. What other major changes would need to be made in the short, intermediate, and long run to implement the proposed reorganization?
5. What efficiencies should be explored if this organizational model is adopted?
6. What are the implications of the model for investments (expenditures), additional funding, and sources of funding for both operating and capital needs in the short, intermediate, and long run?
7. Assuming the concept is feasible, what steps are involved in the strategic planning phase of the study? What is an appropriate timeline for completion of the planning phase and for implementation of a redesign of the system?

RECOMMENDATION: It is recommended that the Board authorize that planning for a feasibility study/strategic plan begin immediately and that a proposed timetable, organization, and scope of review be presented for Board consideration at the June 24-25, 2004 Board meeting.

ATTACHMENT A



David A. Longanecker
Executive Director, WICHE

David A. Longanecker is the executive director of the Western Interstate Commission for Higher Education in Boulder, Colorado.

Previously, he served for six years as the assistant secretary for postsecondary education at the U.S. Department of Education, developing and implementing national policy and programs providing more than \$40 billion annually in student aid and \$1 billion to institutions. Prior to that he was the state higher education executive officer (SHEEO) in Colorado and Minnesota.

He was also the principal analyst for higher education for the Congressional Budget Office. Dr. Longanecker has served on numerous boards and commissions and was president of the State Higher Education Executive Officers. He has written extensively on a range of higher education issues.

His primary interests in higher education are: access, teacher education, finance, the efficient use of educational technologies, and academic collaboration in Canada, the United States, and Mexico. He holds a Ed.D. in education from Stanford University