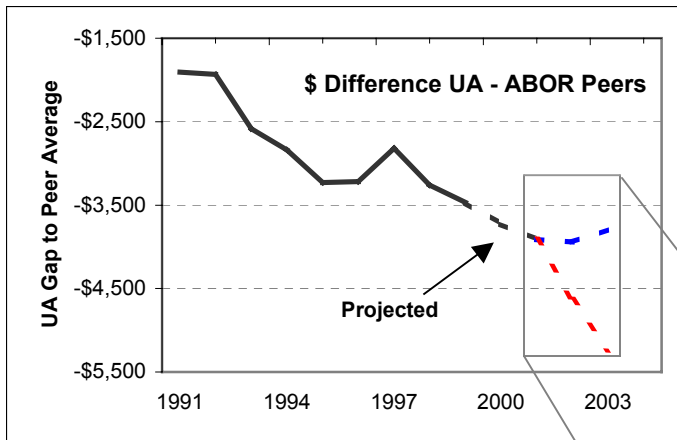


Policy Brief No. 2
**Effect of the State FY 2002-2003 Biennium Budget Rescissions
 on The University of Arizona Per Student Educational Expenditures**

During the 1990s, the University of Arizona (UA) was underfunded by the State compared to its ABOR peers and the situation became increasingly worse as the decade progressed. In 1991, the UA lagged behind its peers by an average per student educational expenditure of \$1,900 and by 1999, the difference had increased to \$3,500 (See Figure 1). Moreover, the difference is projected to increase to \$5,200 by 2003 with the biennium State budget rescissions.

Figure 1: UA Per Student Educational Expenditures Gap to Peer Average



Sources: IPEDS Finance Surveys,
 UA State Funding Losses: Operational & Capital – 5/13/2002

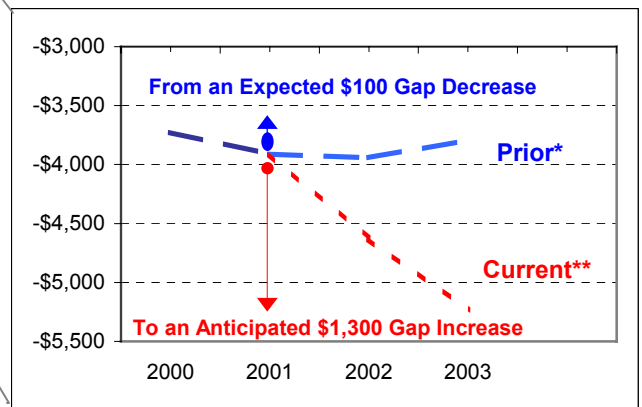
For 2002-2003, the State’s legislative leadership made a step in the right direction by approving funds for 5% salary increases, graduate teaching workloads, eminent scholars, and other educational programs, and appropriating long-awaited capital improvement dollars. The effect would have been to move the UA in the right direction (See **Prior*** in Figure 2) and begin reducing the state-funding deficit. Instead, with a souring economy and unanticipated alternative fuel-tax payouts, the State implemented mid-year budget cuts in 2002 and will be imposing much larger reductions in 2003 (See **Current**** in Figure 2).

Prior to the biennium, the UA was looking forward to an aggregate increase of approximately \$21 million in operational funds. If the increase had

materialized, then the UA would have been on a path that began to close the funding gap with respect to our peers. Instead, the UA is now looking for ways to absorb \$46 million in budget reductions over the two years. This totals to over a \$67 million dollar swing in state appropriations for operations alone. When capital dollars are included, the loss in State dollars will be over \$96 million.

Figure 2 illustrates the effects of the operational biennium budget cuts on the UA per student educational expenditures gap to peer average. From 2001 to 2003, if the increase in State appropriations had occurred, the UA gap to ABOR peer average would have decreased \$100, from \$3,900 (29%) below peers in 2001 to \$3,800 (25%) in 2003. Instead, with the proposed rescissions, from 2001 to 2003 the gap will increase \$1,300, moving from the \$3,900 below peers in 2001 to \$5,200 (39%) below peers in 2003.

Figure 2: Enlargement from Figure 1 -- Effect of State Budget Rescissions on UA Gap to Peer Average



* Prior Proposed State Budget Increases for Biennium
 ** Current Actual and Proposed State Budget Decreases for Biennium

The UA has been able to sustain its premier standing with successful fund-raising efforts and quality faculty. Even with the recent Board-approved, in-state \$96 tuition increase of about 4% beginning FY 2003, the \$5,200 difference will only be marginally offset. The UA will find it increasingly difficult to remain competitive without restored state support when the economy recovers. ♦