

ADDENDUM TO THE BUDGET RECOMMENDATIONS
FOR THE FISCAL YEAR 1987-88

Addendum No. 7

Date March 18, 1987

AGENCY ASU-West PROGRAM ASU-West FUND General Fund
 Executive Budget Page No. 47 JIBC Budget Page Number ED-49

	EXECUTIVE STAFF		LEGISLATIVE STAFF	
	AGENCY NEW REQUEST	ORIGINAL RECOMMENDATION	CHANGE	NEW RECOMMENDATION
FTE POSITIONS		153.90		189.60
PERSONAL SERVICES				28.30
EMPLOYEE RELATED EXP.				217.90
PROF. & OUTSIDE SERVICES				4,381,000
TRAVEL - STATE				869,700
TRAVEL - OUT OF STATE				792,700
OTHER OPERATING EXP.				157,400
EQUIPMENT				67,100
LIBRARY ACQUISITIONS				41,900
SUNDBYE PROGRAM				77,200
				681,000
				574,300
				397,800
				250,000
OPERATING BUDGET TOTAL		6,460,300	No Change	7,340,000
OTHER FUND		(1,120,600)		(1,067,100)
GENERAL FUND		5,339,700		6,272,900
				1,017,200
				7,290,100

LEGISLATIVE STAFF ANALYSIS

The Legislature has approved \$19,500,000 for the ASU-West Campus construction for the fiscal years of 1986, 1987 and 1988. The total construction cost of the essential core campus buildings is estimated at \$71,614,000. Instead of waiting for the General Fund availability, it is recommended that the Board of Regents issue "Certificates of Participation" (a form of tax-exempt financing) to provide funds for the immediate construction of the core facilities, whereby the certificates would be repaid under a 20-year lease-purchase agreement. If this proposal is agreed to by the Legislature and approved by the Board of Regents, the ASU-West Campus construction will be accelerated as planned and a General Fund savings of \$3,945,500 from the

(Continued)

ADDENDUM TO THE BUDGET RECOMMENDATIONS
FOR THE FISCAL YEAR 1987-88

Addendum No. 7

Date March 18, 1987

AGENCY ASU-West PROGRAM ASU-West FUND General Fund

Executive Budget Page No. 47 JLBC Budget Page Number ED-49
(Continued)

LEGISLATIVE STAFF ANALYSIS
(Continued)

FY 1988 construction budget would be realized. This accelerated construction program requires an additional operating budget of \$1,017,200 from the FY 1988 General Fund. Thus, the net General Fund savings would be \$2,928,300. The future year General Fund requirement (FY 1989 and beyond) in support of lease-purchase payments is estimated at \$9,980,500.

Subject to the approval of the aforementioned proposal, the Legislative Staff recommends an additional operating budget for a six month funding of 16 new positions for Decision Package #1, seven additional positions for Decision Package #2, reinstatement of 5.3 faculty positions originally recommended for deletion and a \$67,100 reduction in other fund.,

Attachment: ASU-West Construction Budget Proposal

Recommended by: 

Approved by: 

ASU - WEST
CONSTRUCTION BUDGET

ASU West Campus

APR 15 REC'D

Prior Appropriations:

FY 1986		\$ 9,500,000
FY 1987		8,054,500
Sub-Total		\$17,554,500
Less: FY 1987 Ex-Appropriation		(2,000,000)
Sub-Total		\$15,554,500
FY 1988 (appropriated in 1986).		1,945,500
Sub-Total Current Appropriations.		\$17,500,000

Construction Budget:

	<u>Pre-FY 88</u>	<u>FY 88</u>	<u>Post FY 88</u>	<u>Total</u>
1. Infrastructure	\$ 7,615,000	\$ 2,795,000	\$ 2,770,000	\$13,180,000
2. Central Plant Phase I	1,820,000	994,000	-	2,814,000
3. Library	9,537,000	1,280,000	-	10,817,000
4. Classroom	528,000	5,591,000	508,000	6,627,000
5. Lab/Computer Center	-	786,000	8,313,000	9,099,000
6. Student Services	-	-	10,762,000	10,762,000
7. Central Plant Phase II	-	9,957,000	200,000	10,157,000
8. Faculty Office	-	630,000	7,728,000	8,158,000
	<u>\$19,500,000</u>	<u>\$22,033,000</u>	<u>\$30,081,000</u>	<u>\$71,614,000</u>

Problem:

Up until now, it has been expected that the core facilities of the ASU-West Campus would be built on a pay-as-you-go basis with annual legislative appropriations of about \$10 million per year. In FY 1986, \$9.5 million was appropriated; in FY 1987, \$8 million was appropriated, but \$2 million was taken away by SB 1001 as part of the FY 1987 deficit reduction page, leaving \$15.5 million as the total appropriation for the first two years. For FY 1988, the prospects are worsening due to the imbalance between revenues and expenditures. The sum of \$1,945,500 was previously appropriated in 1986 for FY 1988. This amount, when combined with the restoration of the \$2 million cut in FY 1987 adds up to our current \$3,945,500 recommended for FY 1988. In effect, there would be no new monies in FY 1988 and the campus development would slow in the first half of FY 1988 and stagnate during the second half of the year.

ASU - WEST
CONSTRUCTION BUDGET
(Continued)

Proposal:

In order to accelerate construction of the essential core campus buildings and provide for the earliest possible consolidation of ASU-West classes, it is recommended that the Board of Regents issue "Certificates of Participation" (a form of tax-exempt financing) to provide funds for the immediate construction of the aforementioned core facilities, which certificates would be repaid under a 20-year lease-purchase agreement. All tuition and fees collected in excess of \$1,000,000 would be earmarked to make the necessary lease-purchasing payments. Initially, the state General Fund would provide sufficient annual rental payments to make up the difference between the required payments and the tuition/fees set-aside.

Fiscal Impact:

The numbers are very favorable. A tax-exempt issue totalling \$61,735,000 would support \$56,059,500 worth of construction. This would allow for work to begin immediately on all of the core facilities described above. By capitalizing the first year's interest (a common practice during construction) we can save all of the \$3,945,500 currently earmarked for ASU-West construction in FY 1988. Thereafter, the General Fund requirement is estimated to be as follows:

<u>Fiscal Year</u>	<u>General fund Support</u>
1988-89	\$1,584,600
1989-90	3,183,700
1990-91	2,627,500
1991-92	2,356,500
1992-93	<u>228,200</u>
Total	\$9,980,500

Thus, the prospective General Fund support for the next 6 years is approximately equal to one year's support on a pay-as-you-go basis.

These estimates are based upon assumptions which are detailed on the following pages. These projections were made by Arizona State University officials and have been reviewed and agreed with by JLBC Staff.

The time is ripe for this approach. Tax-exempt financing markets are good, rates are very attractive, and Arizona "paper" is fairly easy to sell. This issue would not compete with other university bonds and with these core facilities underway, ASU-West would be in a position to determine its true growth potential. According to the University, these facilities could support a student headcount in excess of 10,000, which would be sufficient to make payments on these certificates. Any further growth in enrollments would provide support for Phase II revenue bonds in the mid-1990's.

Lease Purchase Requirement	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
	\$4,507,900	\$3,864,000	\$4,399,000	\$4,999,300	\$5,498,700	\$5,997,900	\$6,002,200	\$6,498,800	\$6,498,100	\$6,497,600

Financing:	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Capitalized Interest	\$4,507,900	---	---	---	---	---	---	---	---	---
Interest Earnings	---	\$1,600,000	---	---	---	---	---	---	---	---
General Fund	---	\$1,584,600	\$3,183,700	\$2,627,500	\$2,356,500	\$228,200	---	---	---	---
Tuition and Fees	---	\$679,400	\$1,213,300	\$2,371,800	\$3,142,200	\$5,769,700	\$6,002,200	\$6,498,800	\$6,498,100	\$6,497,600
Total	\$4,507,900	\$3,864,000	\$4,399,000	\$4,999,300	\$5,498,700	\$5,997,900	\$6,002,200	\$6,498,800	\$6,498,100	\$6,497,600

ASSUMPTIONS:

- \$61,735,000 issue required to finance Phase I construction.
- Requires varying lease/purchase payment (determined by annual coupon rate) beginning fall '87. Assumes Financial Consultant estimate of 6.53% interest and 20 year lease/purchase.
- Headcount increases vary with completion of facilities.
- .5% increase in full pay equivalent (FPE) each year, except for 6% increase in 1991-92.
- 7% annual increase in registration fee beginning fall '88.
- \$1,000,000 held harmless to supplement operating budget excluding lease/purchase payment.
- Does not include enrollment projections for Phase II construction.
- Assumes Operating Budget will be funded to support student enrollments.

* Does not include Operating Costs

	1986-87	1987-88	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
HEADCOUNT - FALL & SPRING	4,900	5,600	6,400	7,700	9,200	12,000	14,400	16,600	19,100	20,600	21,400
X Increase over prior year		15.0X	15.0X	20.0X	20.0X	30.0X	20.0X	15.0X	15.0X	8.0X	4.0X
Full Pay Equivalent (FPE)	951	1,120	1,312	1,617	2,300	2,640	4,032	4,731	5,539	6,077	6,420
As a X to Headcount	19.5X	20.0X	20.5X	21.0X	21.5X	27.5X	28.0X	28.5X	29.0X	29.5X	30.0X
Full Time Registration Rate	1,136	1,196	1,280	1,370	1,466	1,569	1,679	1,797	1,923	2,058	2,202
X Increase over prior year		7.0X	7.0X	7.0X	7.0X	7.0X	7.0X	7.0X	7.0X	7.0X	7.0X
TOTAL TUITION & FEES	1,080,300	1,339,500	1,679,400	2,215,300	3,371,800	4,142,200	6,769,700	8,501,600	10,651,500	12,506,500	14,136,800
Harmless - Applied to Oper Budget		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
NET REVENUE	1,080,300	339,500	679,400	1,215,300	2,371,800	3,142,200	5,769,700	7,501,600	9,651,500	11,506,500	13,136,800