

Arizona State University

Strategic Enterprise Plan:

2018 Update & Operational and Financial Review

Arizona Board of Regents

February 9, 2018



The ASU **Enterprise Plan** is one which has **transformed an institution** that is critical to the **success of the region and the State.**

The Enterprise Plan will continue to drive ASU's capability to improve its performance and meet its metric targets.

ASU in 1985

Underperforming Public Agency Model

High State Investment

\$8,755* per FTE student

No Budget for Improvement

\$238 million

Inadequate Student Outcomes

13.8% four-year graduation rate

* = 2017 Dollars

ASU in 1985

Underperforming Public Agency Model

Low Price and Low Aid

\$2,577* resident undergraduate
tuition and fees

<2% undergraduates received
Pell Grants

Low Freshman Diversity

84.9% White

9.9% underrepresented minority

Small Contribution to Knowledge Generation

\$28 million

in annual research expenditures

* = 2017 Dollars

ASU in 2002

Performing Public Agency Model

High State Investment

\$9,230* per FTE student

Budget for Growth and Quality

\$750 million

Improving Student Outcomes

28.4% four-year graduation rate

* = 2017 Dollars

ASU in 2002

Performing Public Agency Model

Medium Price and Medium Aid

\$3,527* resident undergraduate
tuition and fees

22% undergraduates received
Pell Grants

Medium Freshman Class Diversity

71.2% White

17.2% underrepresented minority

Growing Contribution to Knowledge Generation

\$123 million

in annual research expenditures

* = 2017 Dollars

ASU in 2018

Established Public Enterprise Model

Low State Investment

\$3,141 per FTE student

Budget for Consistent Growth and Quality

\$3.1 billion

High Student Outcomes

51.6% four-year graduation rate
70.7% for A-students and 46.0% for B-students

Established Public Enterprise Model

Medium Price and High Aid

\$10,792 resident undergraduate tuition and fees

34.2% undergraduates received Pell Grants

High Freshman Class Diversity

50% White

35.2% underrepresented minority

Large Contribution to Knowledge Generation

\$545 million

in annual research expenditures

ASU Charter

ASU is a comprehensive public research university, measured not by whom it excludes, but by whom it **includes** and how they **succeed**; advancing research and discovery of **public value**; and assuming **fundamental responsibility** for the **economic, social, cultural, and overall health** of the communities it serves.

Responsibility and The Public Trust

The charter is a promise to the citizens of Arizona.

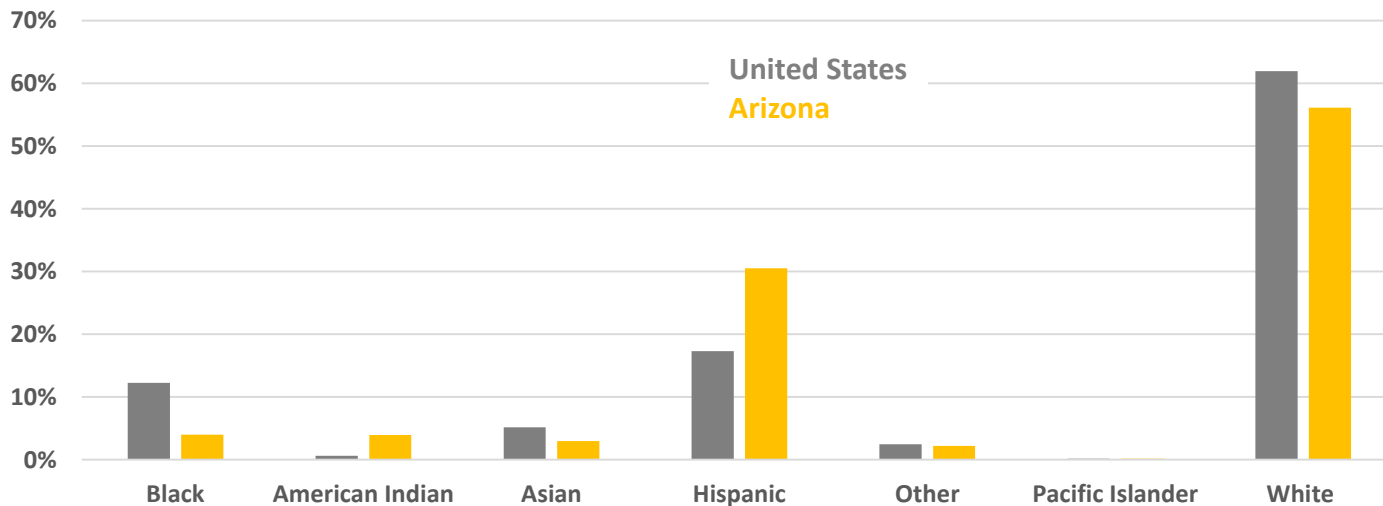
ASU has a responsibility to fulfill the requirements of the Arizona Constitution to provide public education.

The responsibility is not one that is conditional upon the actions of the legislature; it is ASU's responsibility to find the means to fulfill its charter while seeking appropriate and fair public investment in the costs of education for Arizona resident students.

Arizona's changing demographics drive ASU's planning

The current age demographics make it clear that there will soon be no majority race in the traditional college-age population. Arizona is further along with this trend than the country as a whole.

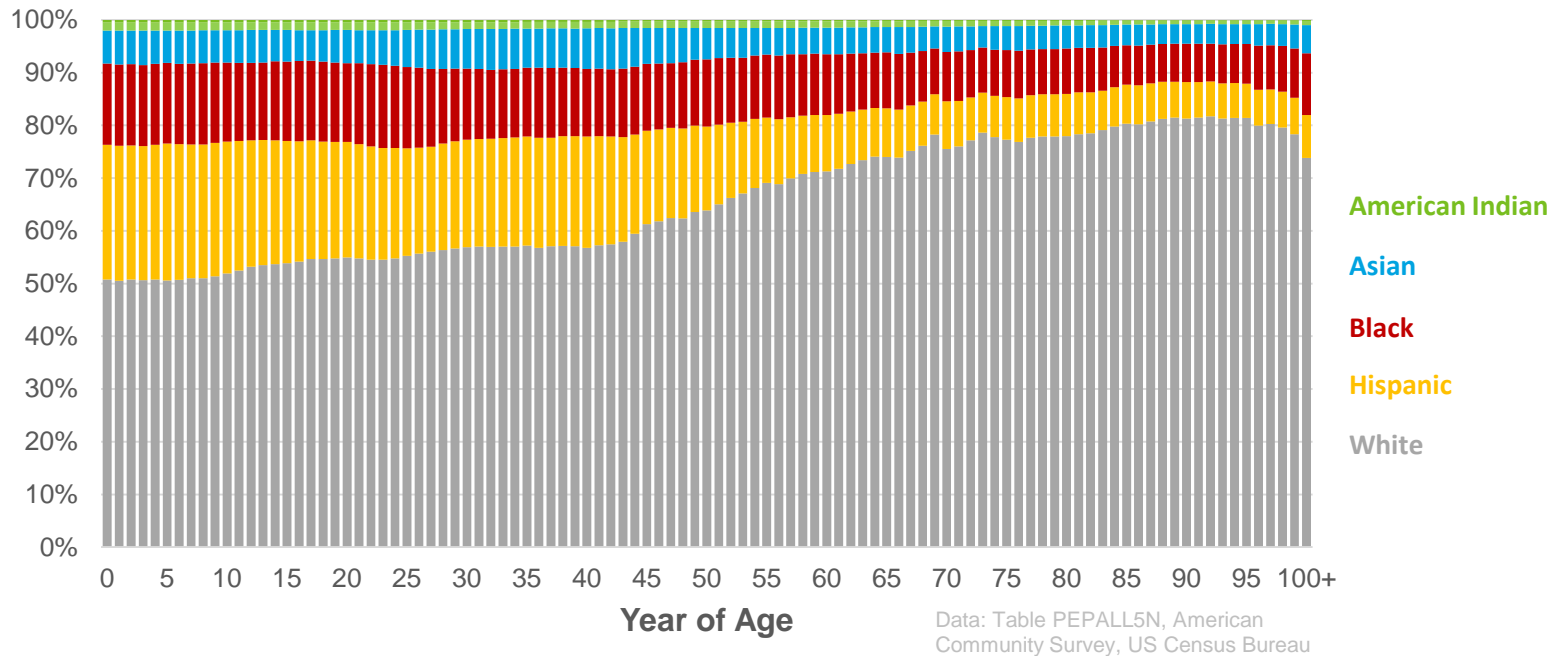
US and Arizona Population by Race/Ethnicity, 2016



Source: Table B03002, American Community Survey, US Census Bureau

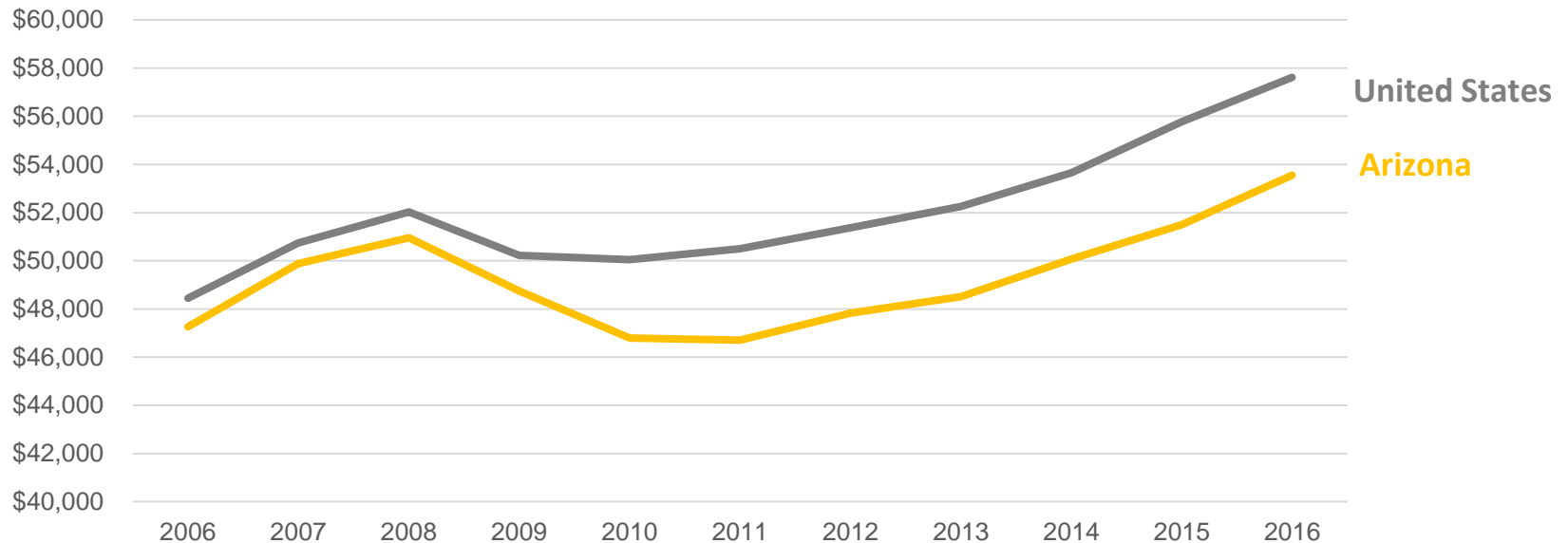
Arizona's changing demographics drive ASU's planning

US Population by Race/Ethnicity, 2016



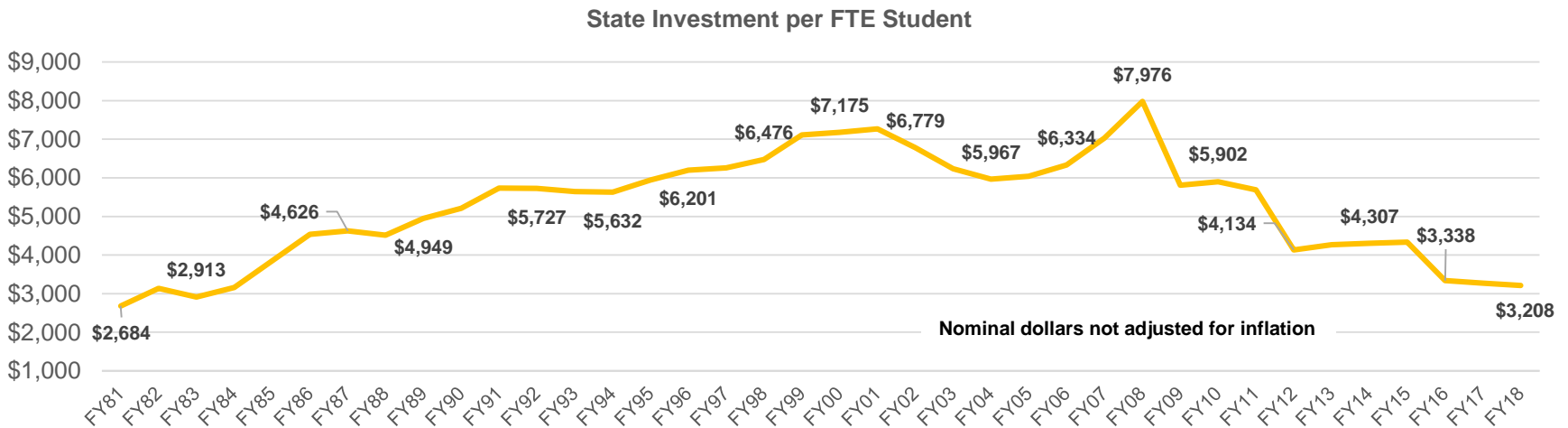
United States and Arizona Median Household Income 2005-2016

Arizona household income began lagging behind that of the country as a whole during the recession and has not recovered. Because the access mission remains paramount, financial aid becomes even more critical and this places an extra burden on ASU's finances.

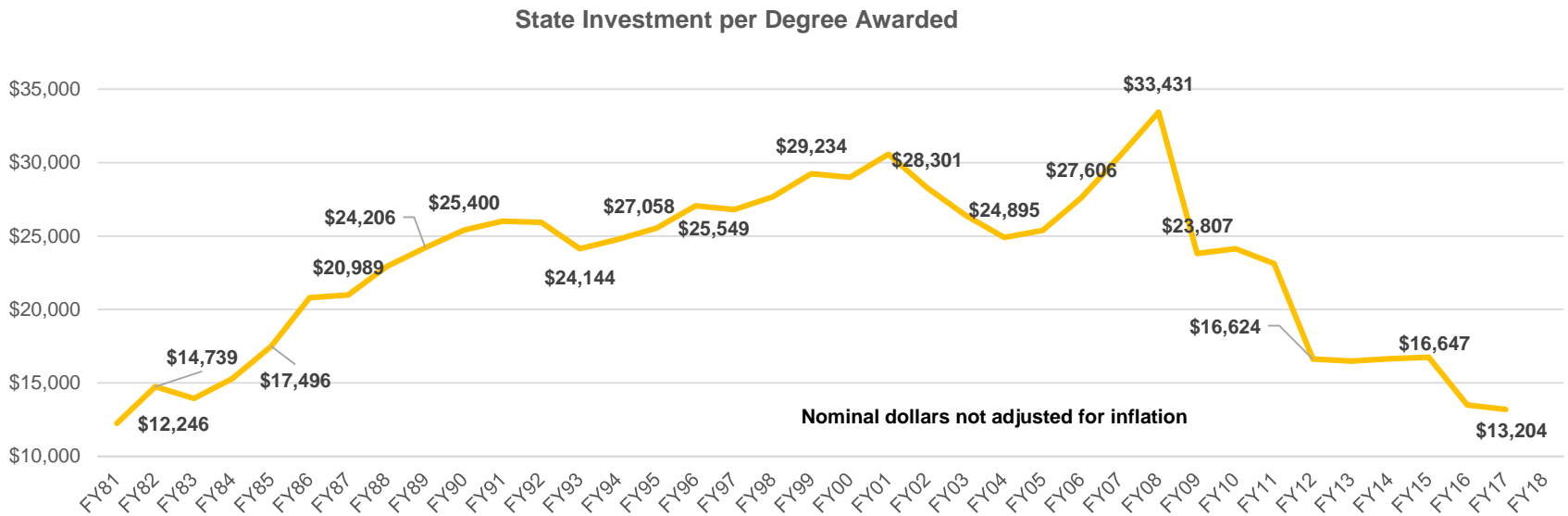


Source: Table S1901, American Community Survey, US Census Bureau. Nominal data.

ASU is addressing these challenges with state investment well below the levels of the 1980's

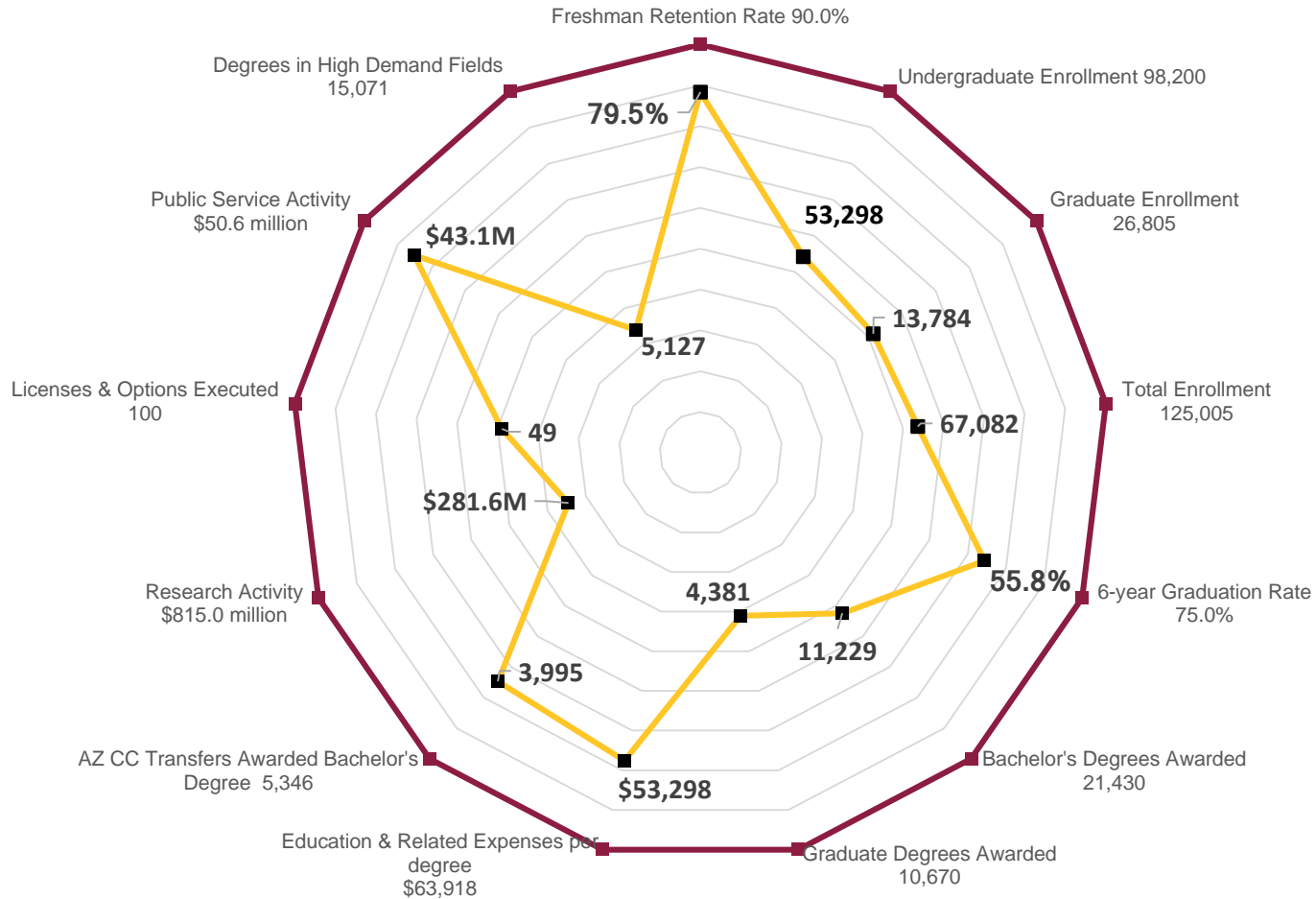


ASU is addressing these challenges with state investment well below the levels of the 1980's



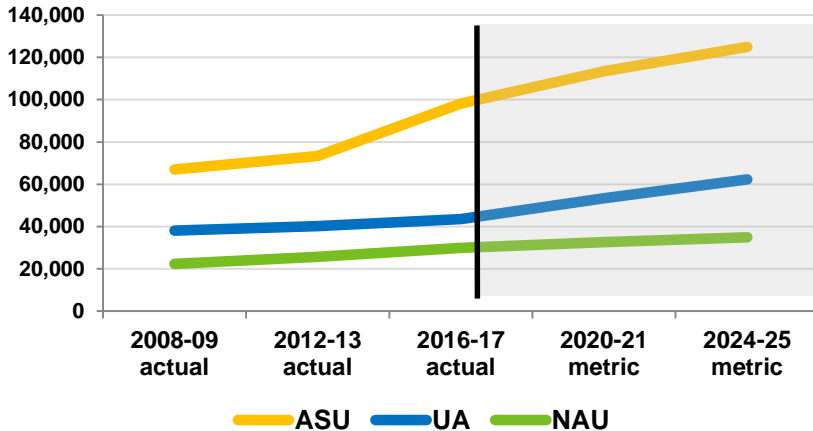
2008 Performance

ASU's performance at the time that the metrics were established was already improving, but needed to be enhanced rapidly to achieve its targets.

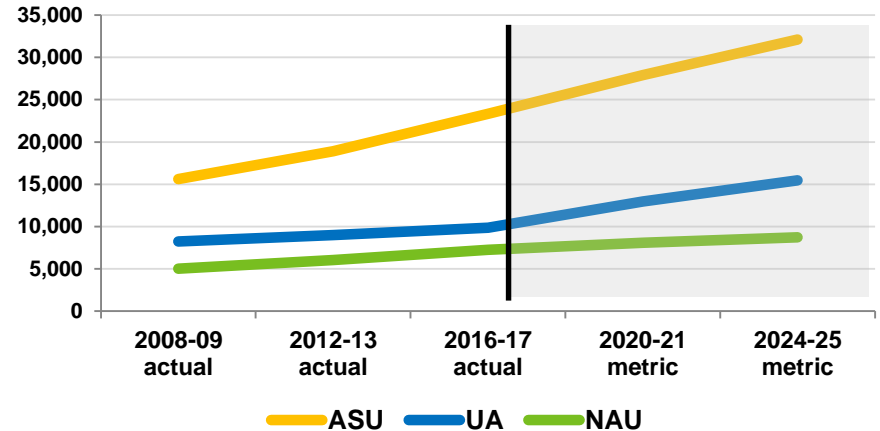


The 2025 metrics require ASU to increase its proportional share of performance

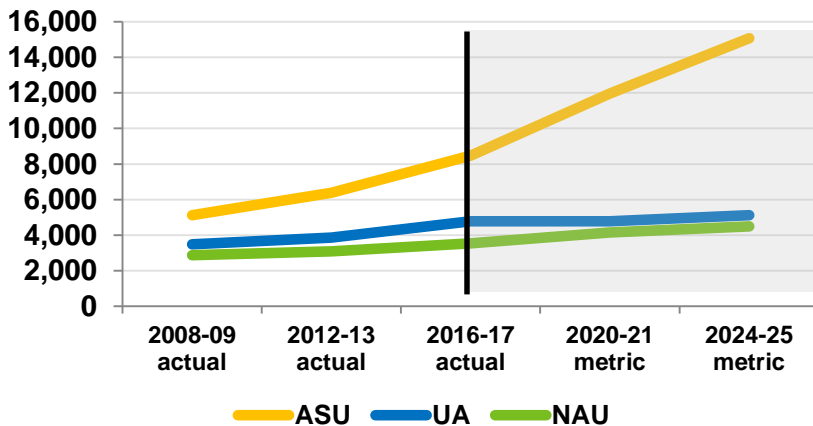
Share of Total Enrollment



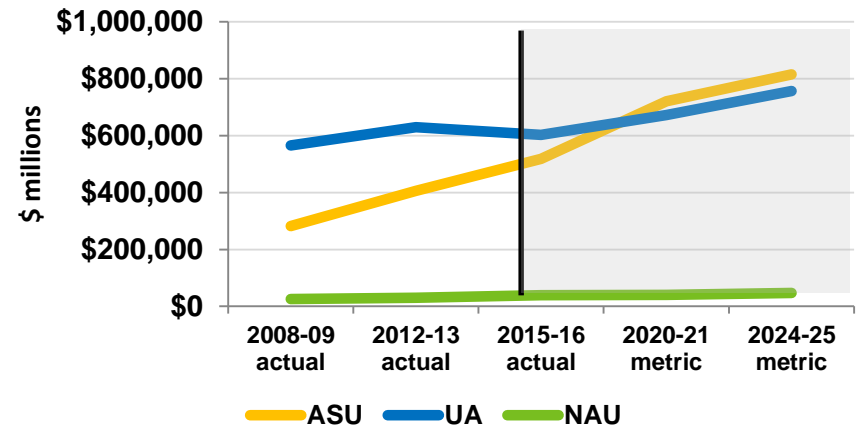
Share of Total Degrees



Share of High Demand Degrees

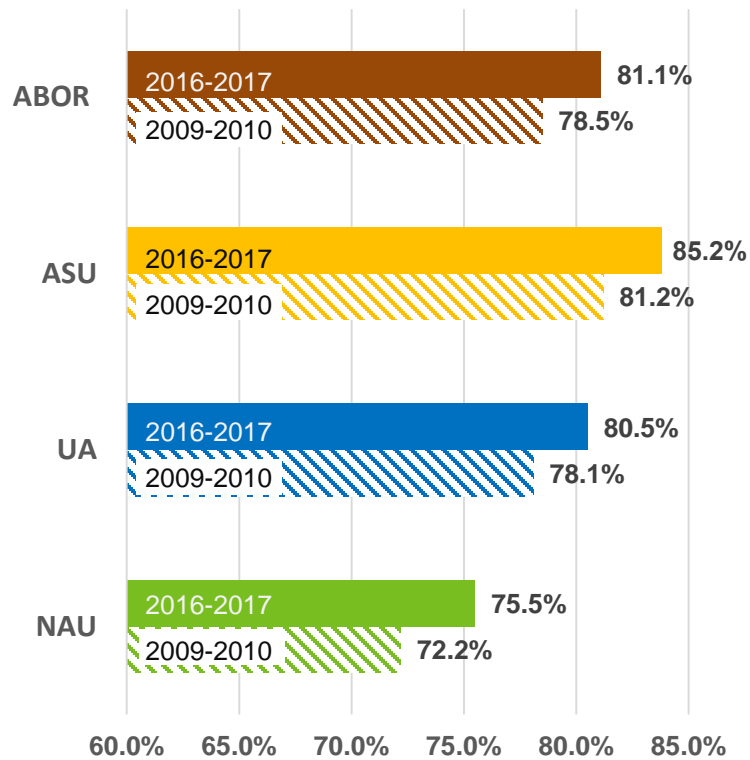


Research Expenditures

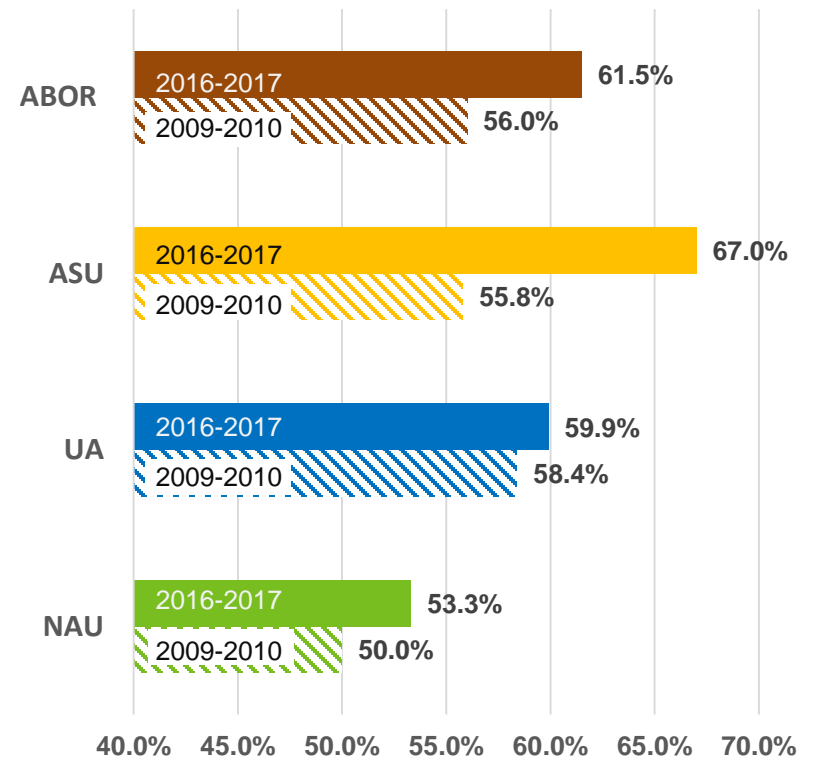


Arizona Public Universities Freshman Cohorts 2009-10 vs. 2016-17

First-Year Retention Rate Changes

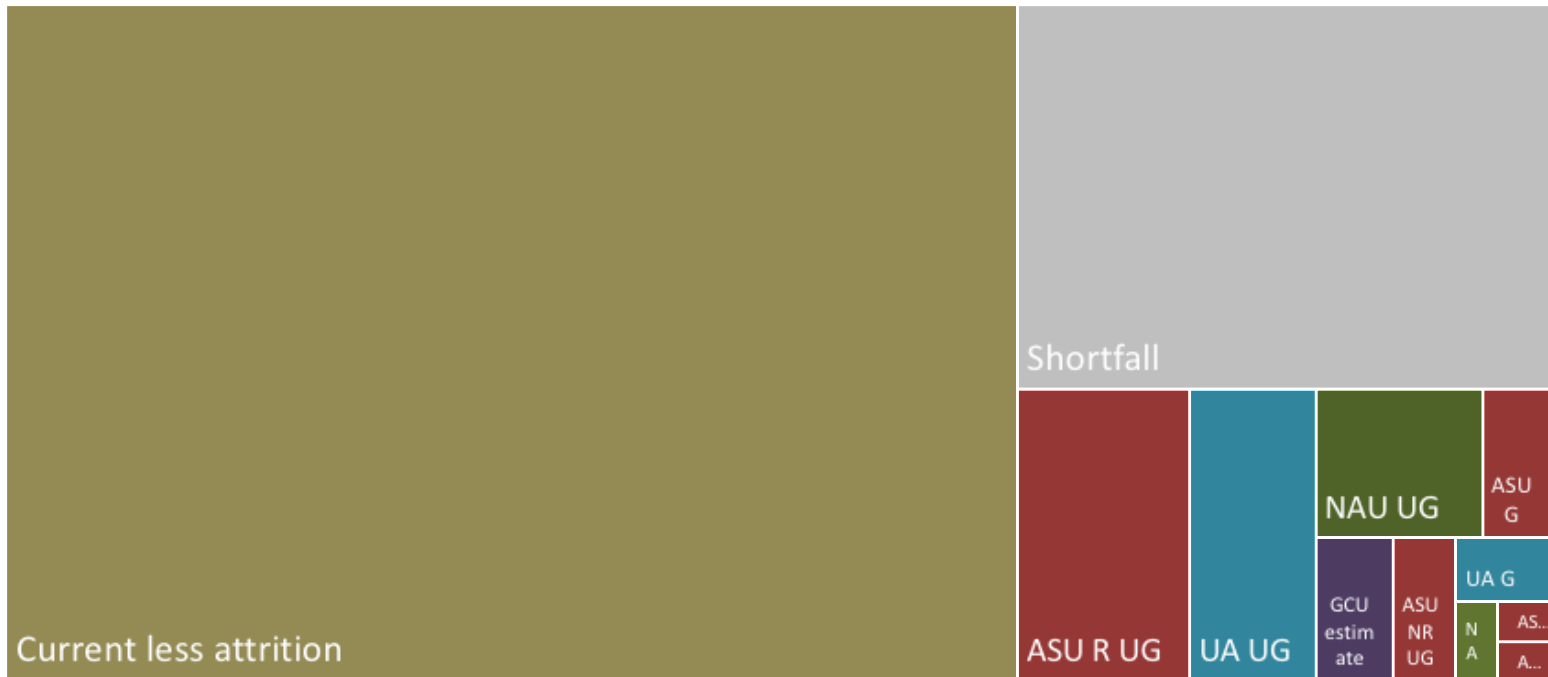


Six-Year Graduation Rate Changes



Achieve60AZ Degree Attainment Challenges

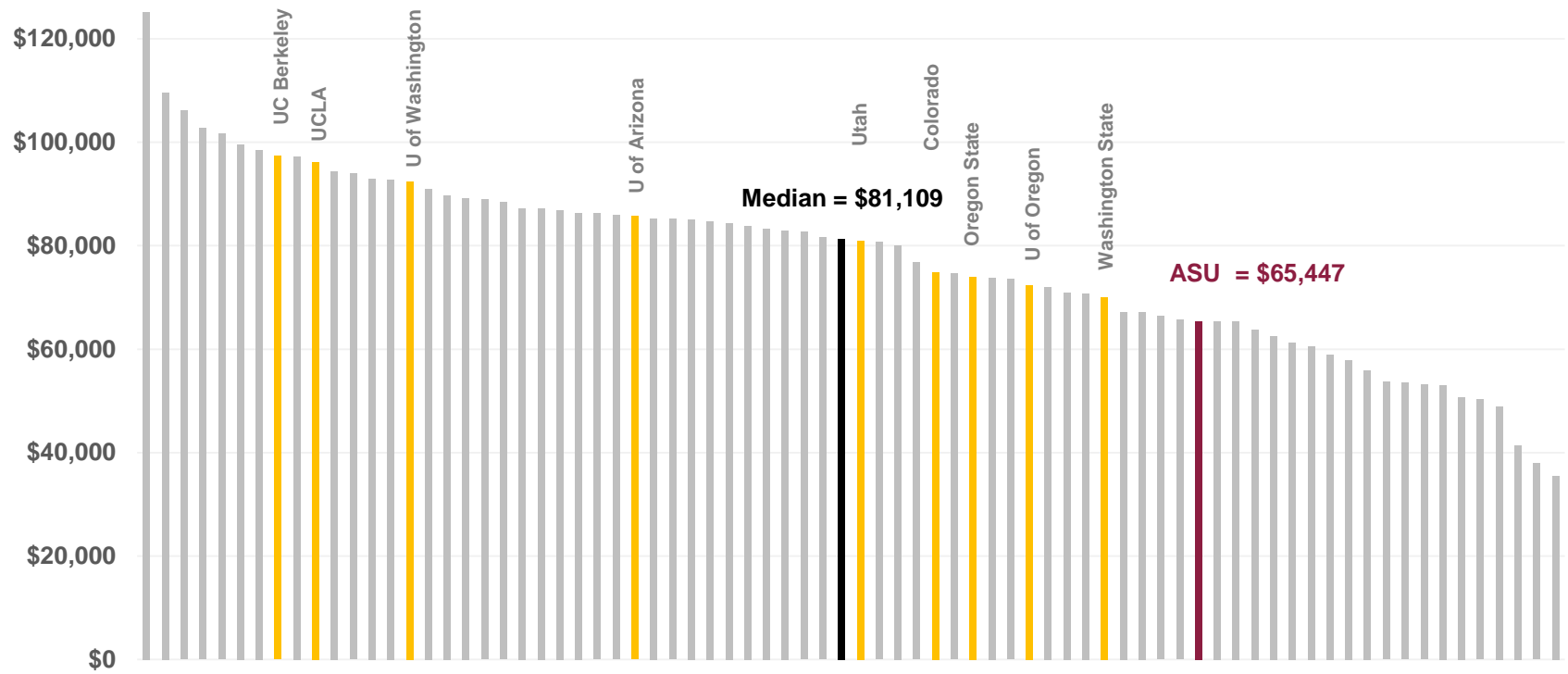
ABOR metrics will result in 400,000 new degrees by 2025
but there may still be a 200,000 degree shortfall



2016 actual = 996,375 adults aged 20-65 with four-year degrees
2025 goal = 1,300,000? (there are many ways to calculate the goal)

Tuition and State Appropriation per Degree Awarded in FY2016 Public Very High Research Universities

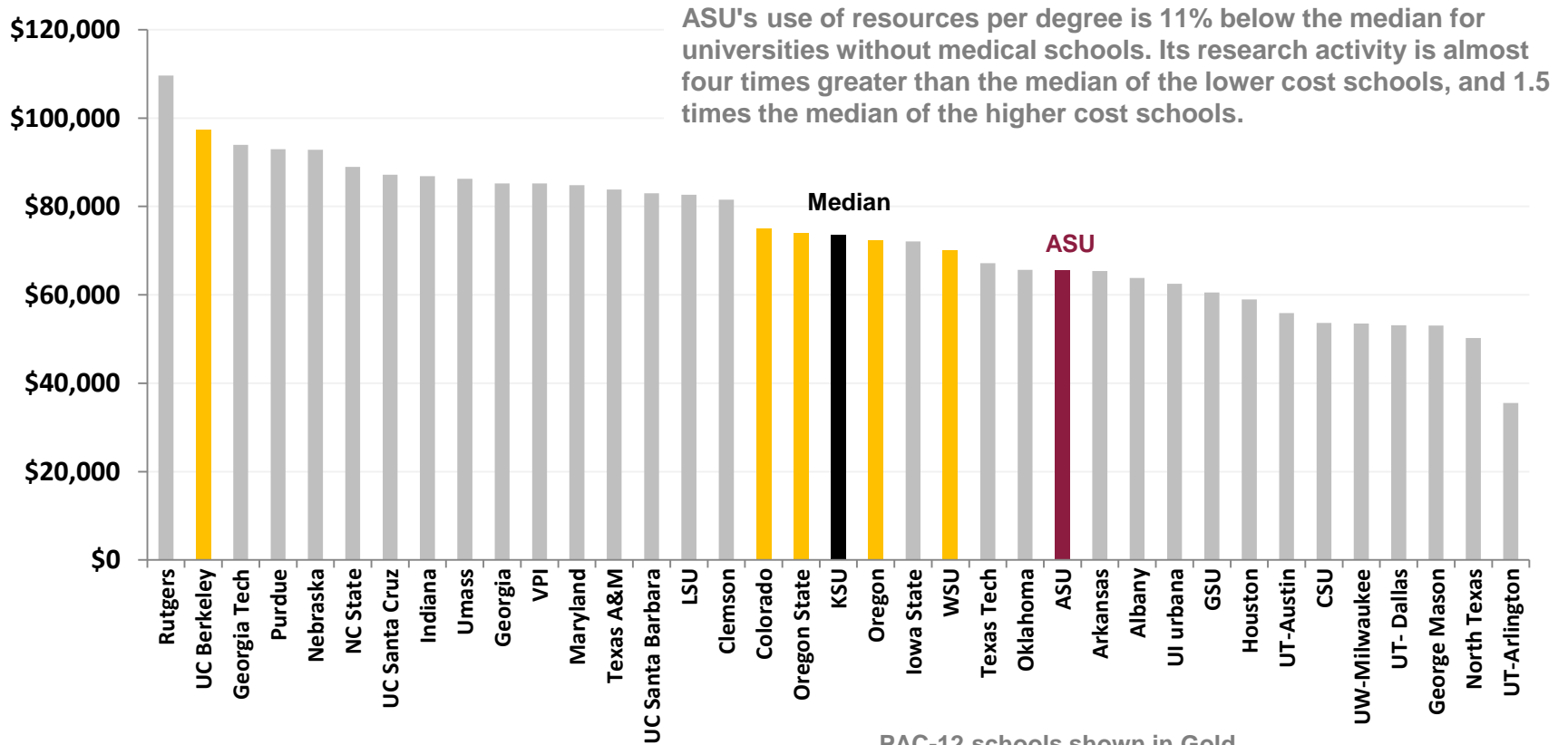
ASU's uses 19.5% fewer resources per degree awarded than the national median. At current levels of degree production, the difference in costs (\$343M) is \$50M more than the FY16 state appropriation.



PAC-12 schools shown in yellow

source: IPEDS

Tuition, Fees, and State Appropriations per Degree Awarded Very High Research Public Universities without Medical Schools IPEDS FY2016

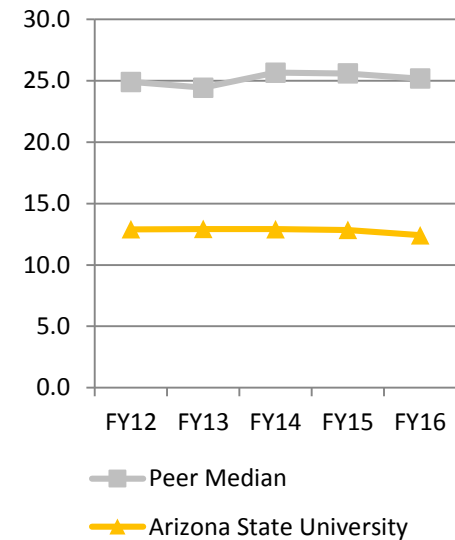


FTE Employees Per 100 FTE Students

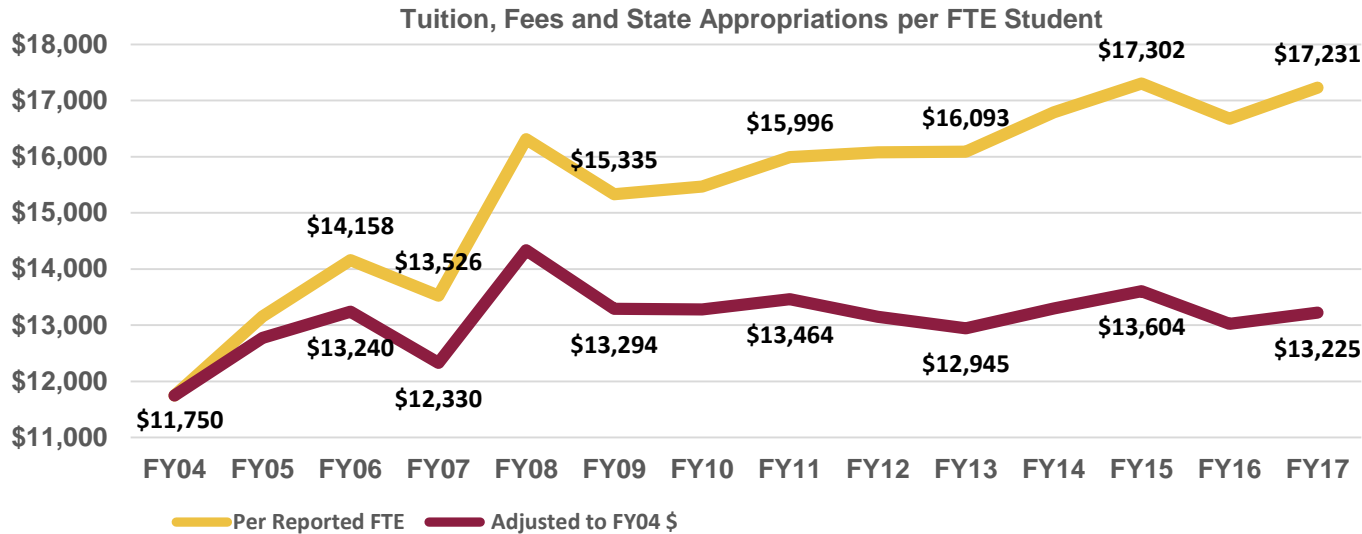
(Excludes Medical School Employees)

Through a combination of cost discipline and strategic use of partnerships to control costs, ASU has consistently operated with about half the staff per student as its peers.

	FY12	FY13	FY14	FY15	FY16
Arizona State University	12.91	12.93	12.92	12.85	12.42
Florida State University	15.33	15.81	16.10	16.05	16.14
Indiana University-Bloomington	20.11	20.53	20.07	20.77	20.35
Michigan State University	22.75	21.47	21.29	21.59	21.92
Ohio State University-Main Campus	24.34	22.97	23.02	22.92	22.70
Pennsylvania State University-Main Campus	28.58	28.79	28.75	29.04	29.61
Rutgers University-New Brunswick	23.01	23.90	25.67	24.98	24.72
The University of Texas at Austin	28.77	32.77	26.00	26.70	27.38
University of California-Los Angeles	27.35	26.67	28.43	26.37	26.94
University of Connecticut	26.92	28.08	28.32	27.59	27.19
University of Illinois at Urbana-Champaign	24.25	24.44	25.14	25.23	25.18
University of Iowa	23.22	23.32	23.50	24.08	24.22
University of Maryland-College Park	24.91	25.75	26.00	27.37	25.47
University of Minnesota-Twin Cities	29.62	30.30	30.85	31.24	31.56
University of Washington-Seattle Campus	25.60	24.44	25.29	25.60	21.70
University of Wisconsin-Madison	26.42	26.85	26.91	27.59	27.48
Peer Median	24.91	24.44	25.67	25.60	25.18

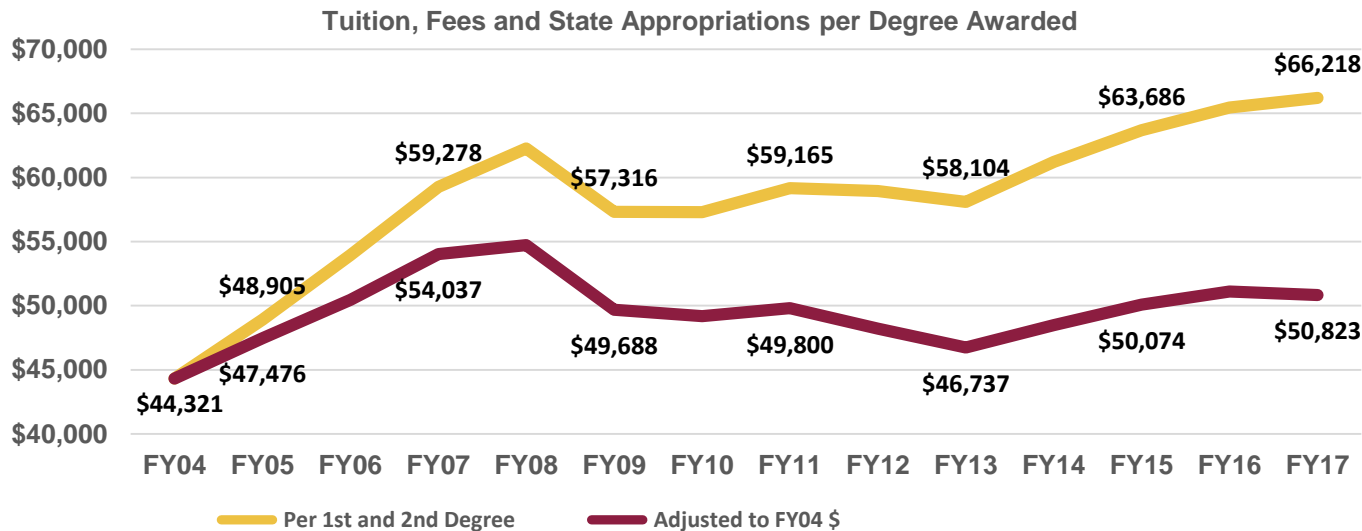


Resources

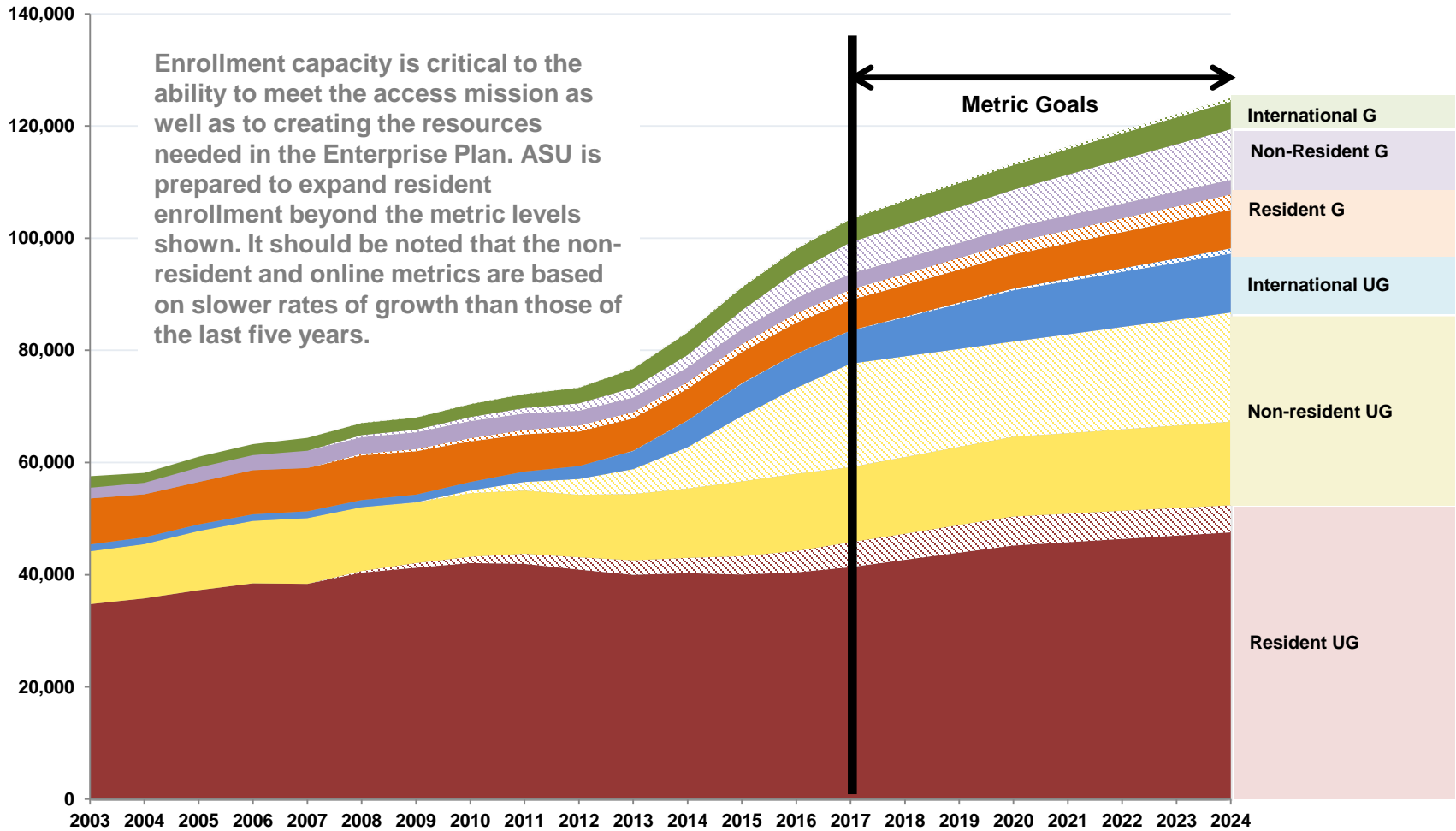


ASU has increased its performance in ways that allow it to serve more students and to grant more degrees despite inflation.

Given that the state investment component of the available resources is less than half of the FY04 level, the cost effectiveness improvements have moderated the rate of tuition increase.



Tuition revenue from sources other than residents drives the enterprise resource strategy



- Resident UG Immersion
- International UG Immersion
- Non-resident G Immersion
- Resident UG Online
- International UG Online
- Non-resident G Online
- Non-Resident UG Immersion
- Resident G Immersion
- International G Immersion
- Non-Resident UG Online
- Resident G Online
- International G Online



ASU's online and digital programs support the mission in many ways

ASU Online programs generate over \$200 million in gross revenue which supports faculty hiring that benefits both immersion and online students.

EdPlus has developed a range of student support technologies that are used in different ways to support all students.

Online courses are offered to immersion and to online students, and enhances student outcomes and time to degree.

Adaptive courseware developments benefit all students.

ASU is recognized as a leader in online education, innovation, and applications of technology to improve educational outcomes.



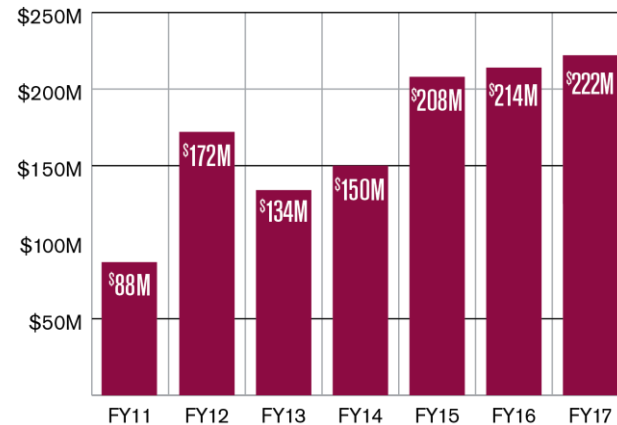
In the enterprise model, ASU seeks resources from a wide range of activities related to the mission

Partnerships with municipalities, private sector housing developers, and commercial firms supporting research.

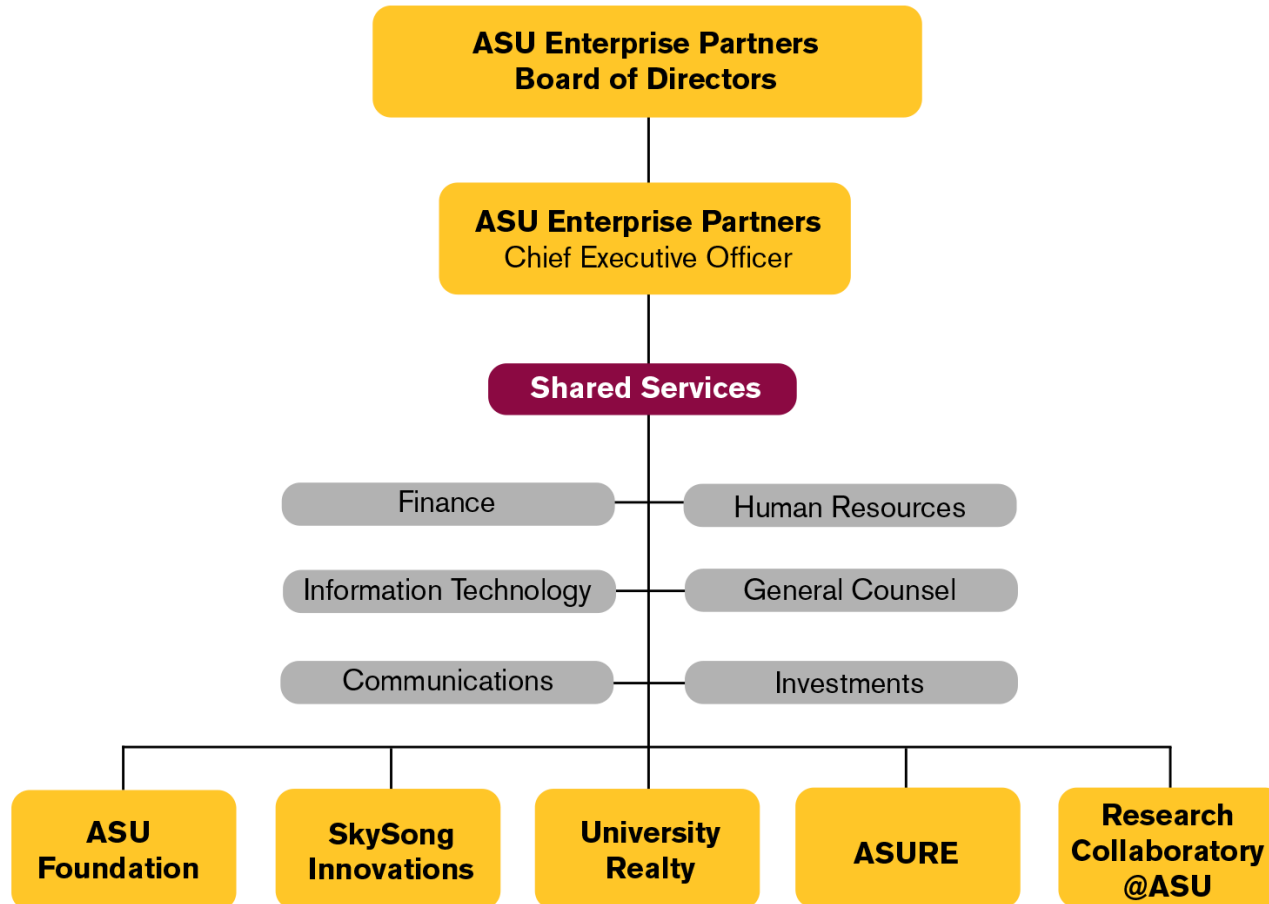
Philanthropy - Campaign ASU 2020 seeks >\$1.5 billion in new support, and also is the basis for building an organization capable of more philanthropic support after the campaign ends.

Compatible development of university-owned land to support athletic facilities and to relieve pressure on tuition rates.

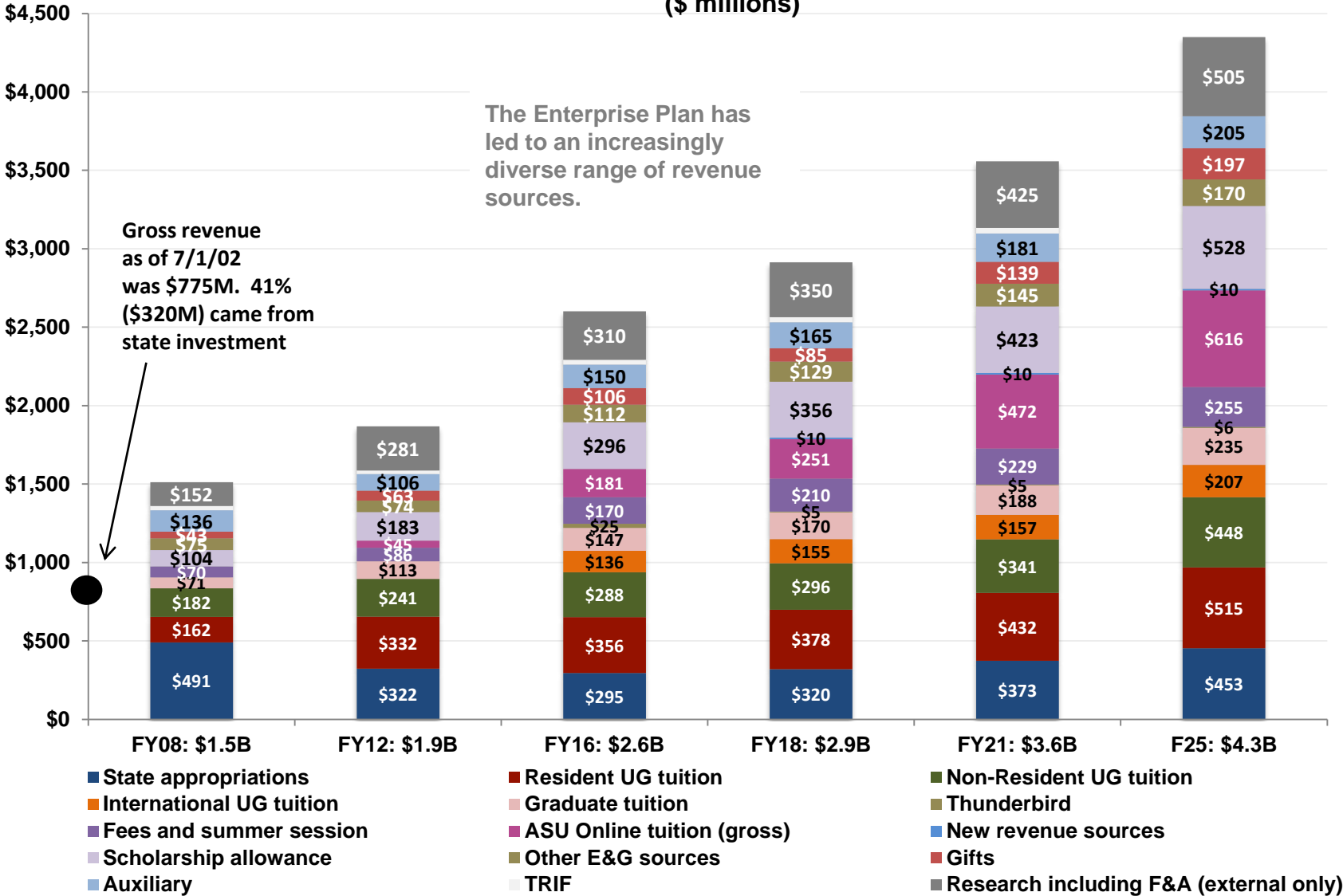
Development also enhances ASU's environs and will increase student opportunities for internships and post-graduation employment.



In the enterprise model, ASU seeks resources from a wide range of activities related to the mission

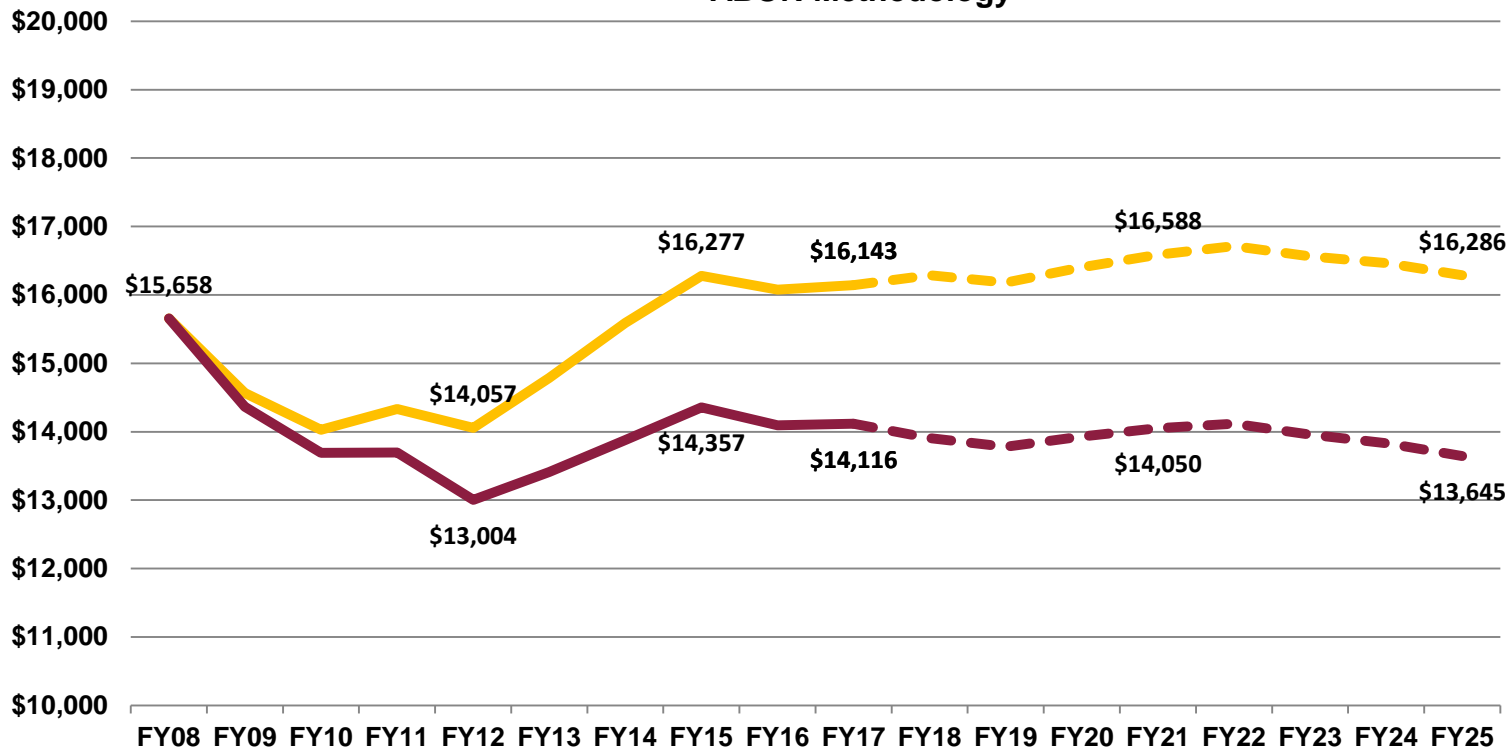


ASU University Gross Revenue Sources: All Funds (\$ millions)



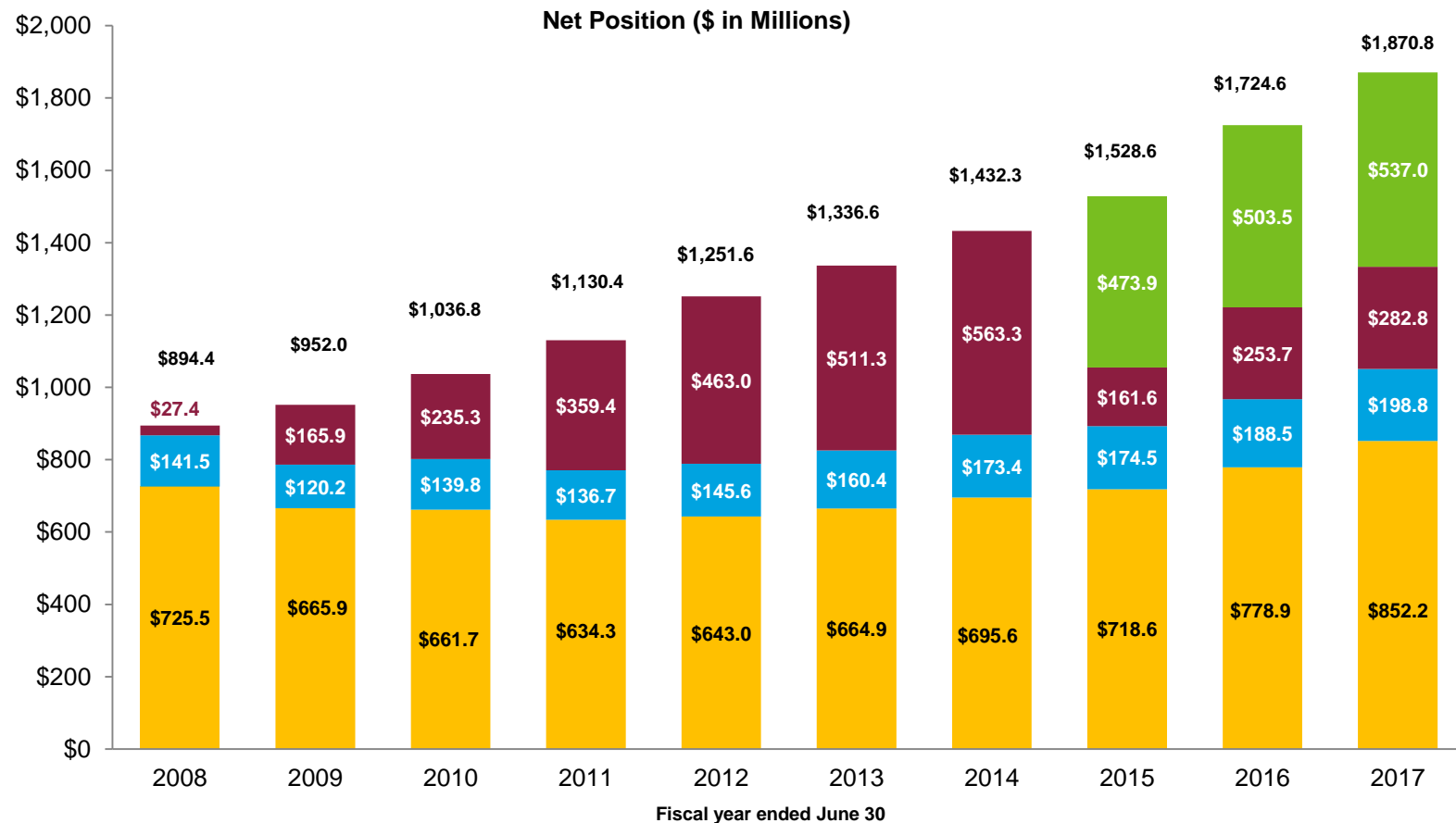
Cost discipline, application of technology, and economies of scale are projected to maintain current cost levels

E&G Expense Net of Scholarship Allowance per FTE
ABOR Methodology



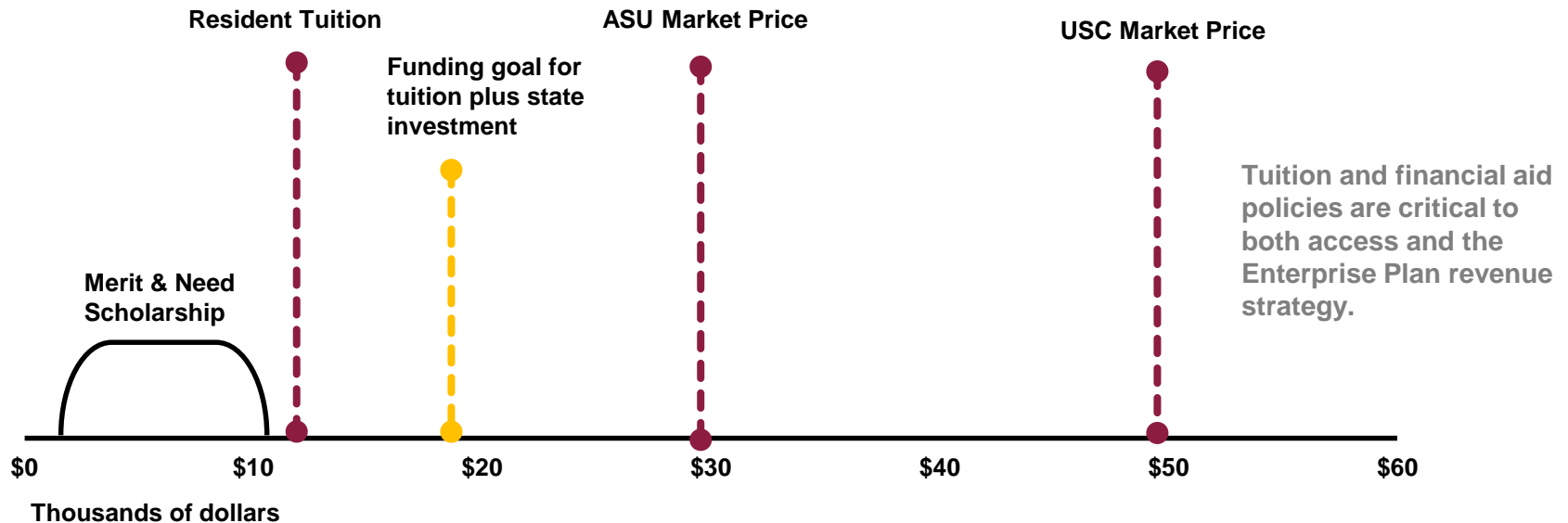
- ABOR E&G actual
- Actual adjusted to FY08 \$
- ABOR E&G projected
- Projected adjusted to FY08 \$ (low inflation)

ASU's financial strength led to a bond rating upgrade in 2017



■ Invested in capital assets, net
 ■ Restricted
 ■ Unrestricted
 ■ GASB 68 and GASB 45 Adjustment

Market Price Model



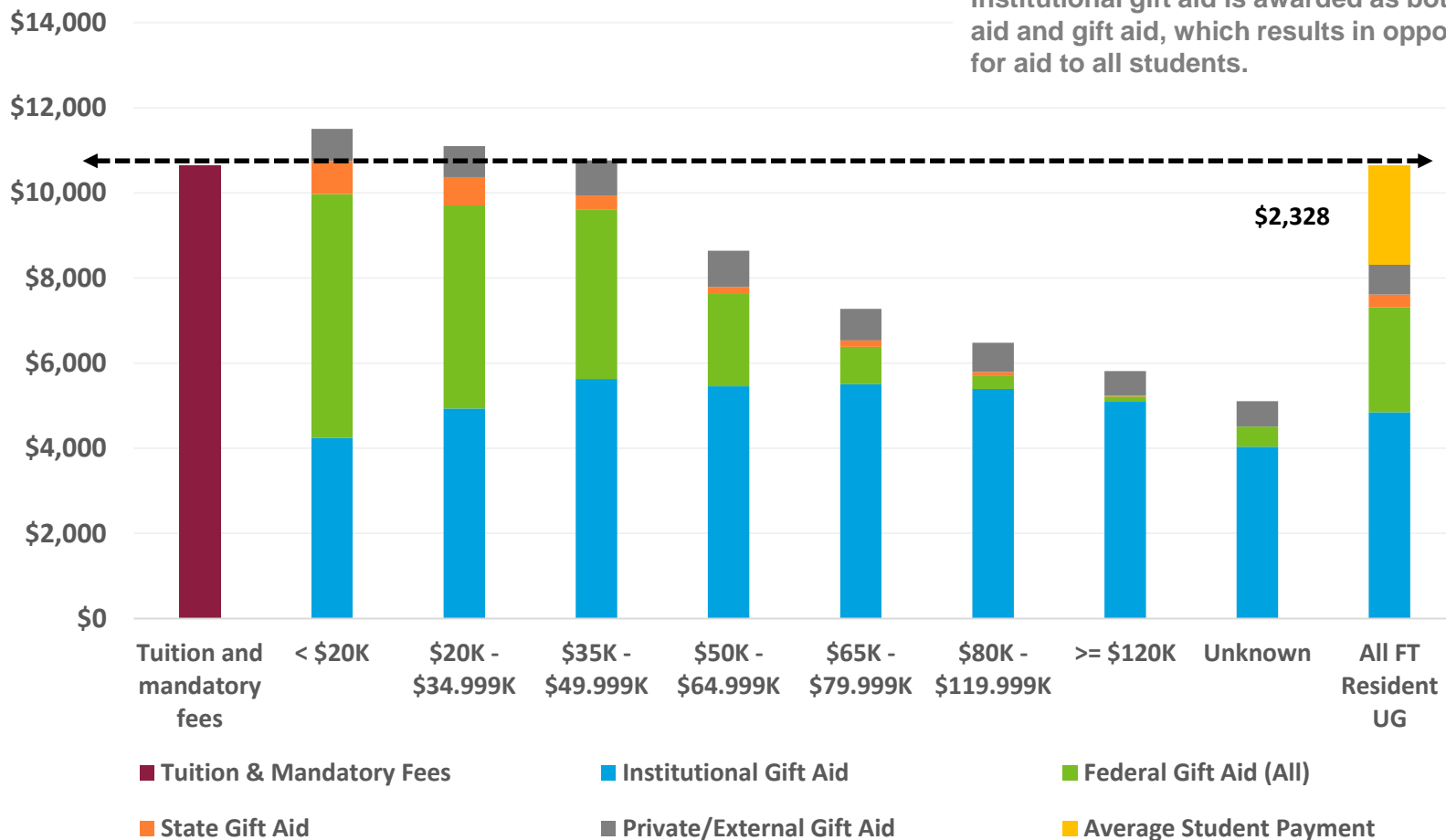
The market (measured by non-resident and international student demand) values an ASU education at \$30,000 per year.

Residents receive excellent value at \$10,000 less substantial financial aid.

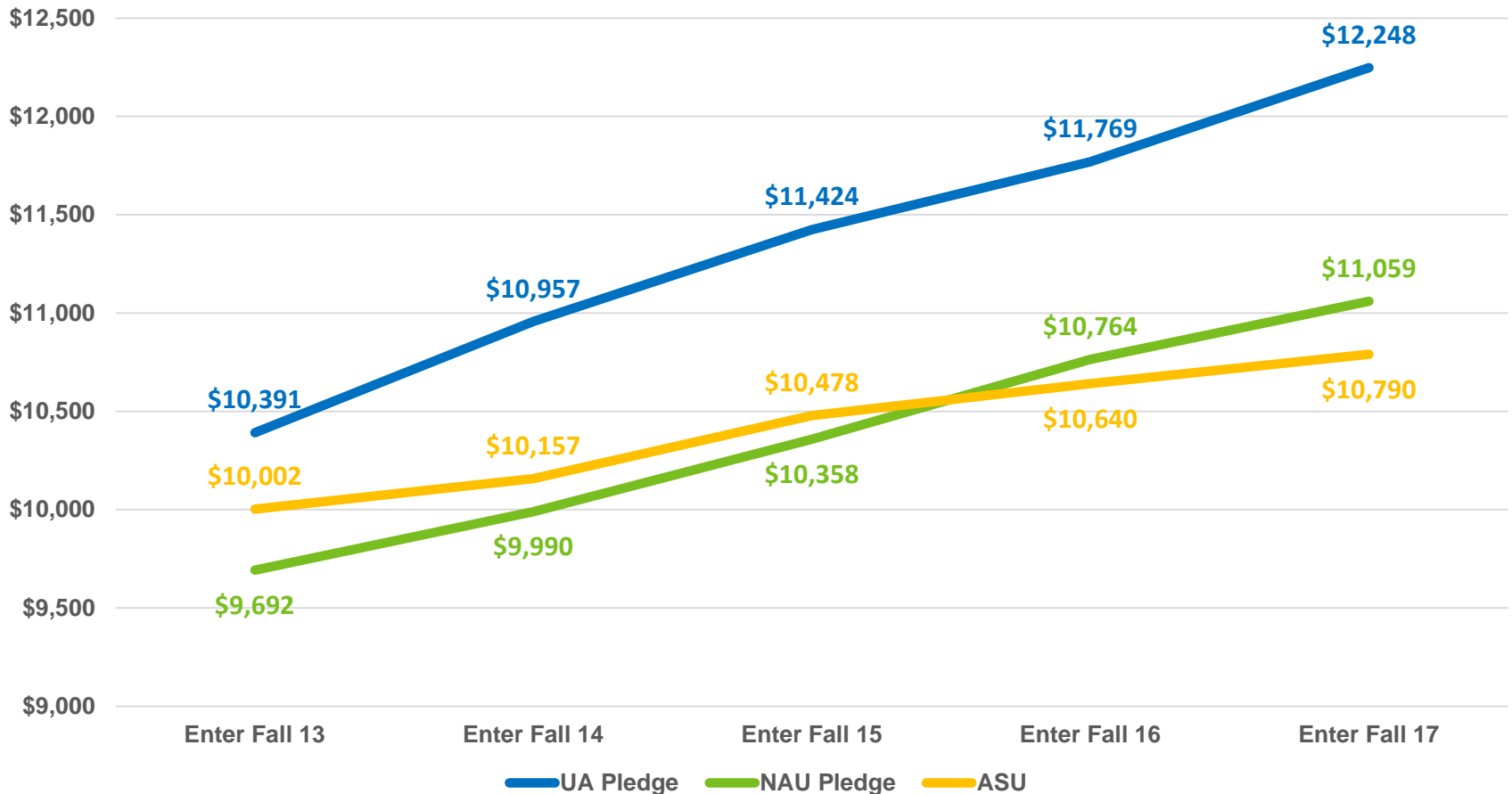
Building the brand quality and recognition will allow further revenue opportunities in the non-resident markets.

Arizona Resident Undergraduates in 2016-17 Average Gift Aid Awards by Family Income

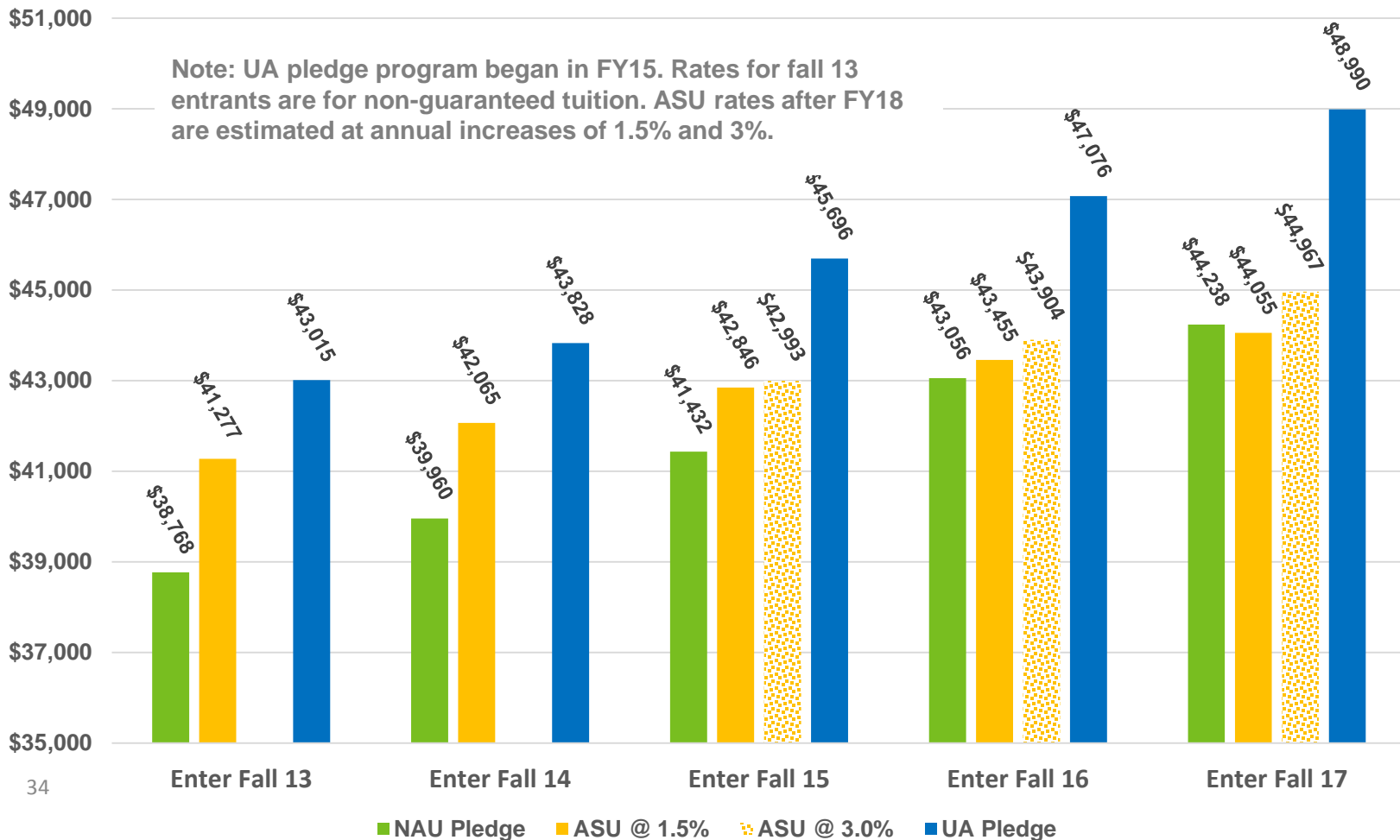
Institutional gift aid is awarded as both merit aid and gift aid, which results in opportunities for aid to all students.



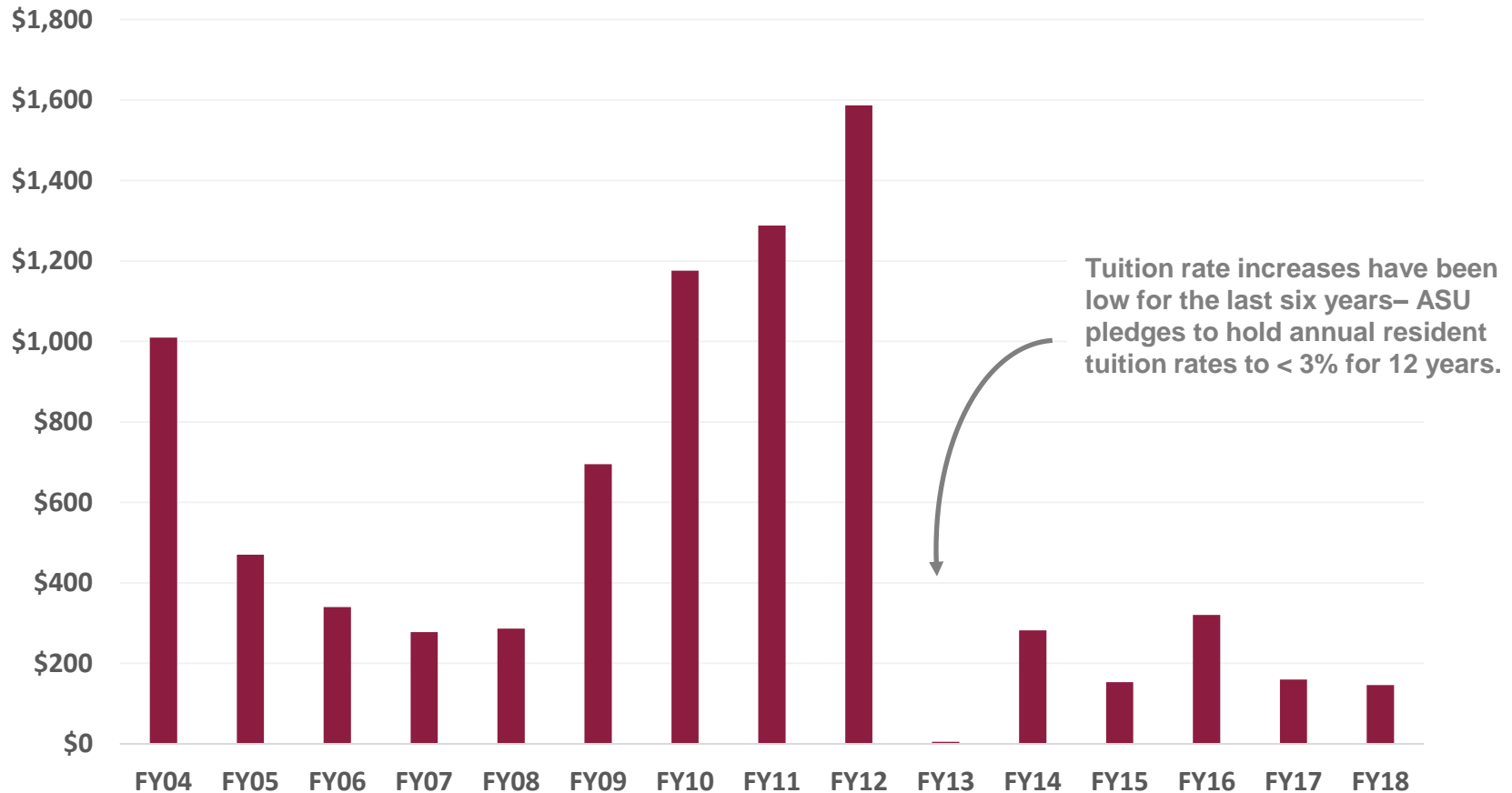
Tuition, Surcharge, and Mandatory Fees: New Resident Freshmen Actual FY2014 to FY2018



Tuition, Surcharge, and Mandatory Fees: Four-Year Total Students Entering as Resident Freshmen Actual FY2014 to FY2018

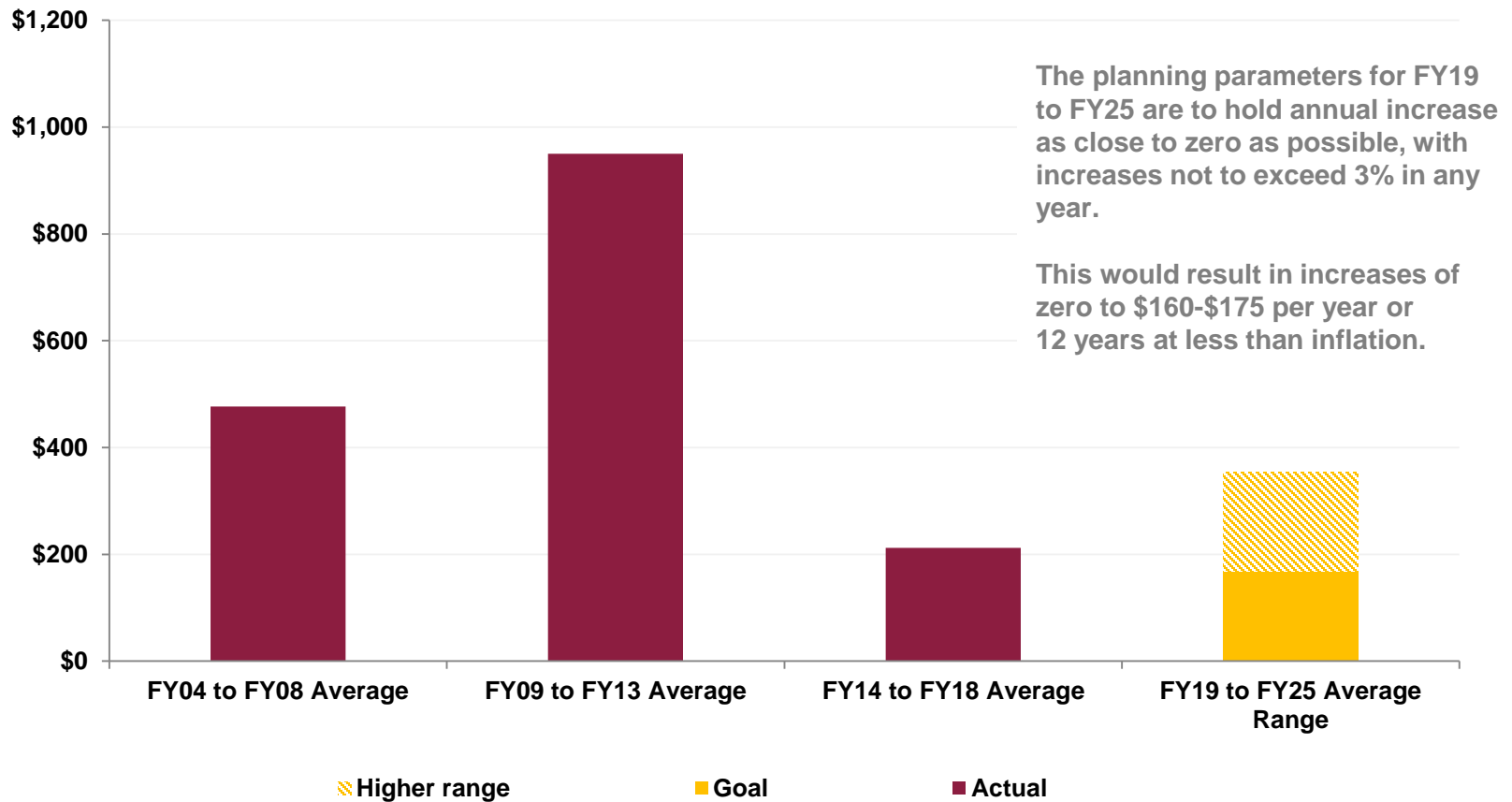


Annual Resident UG Tuition and Fee Increases Actual FY04 to FY18

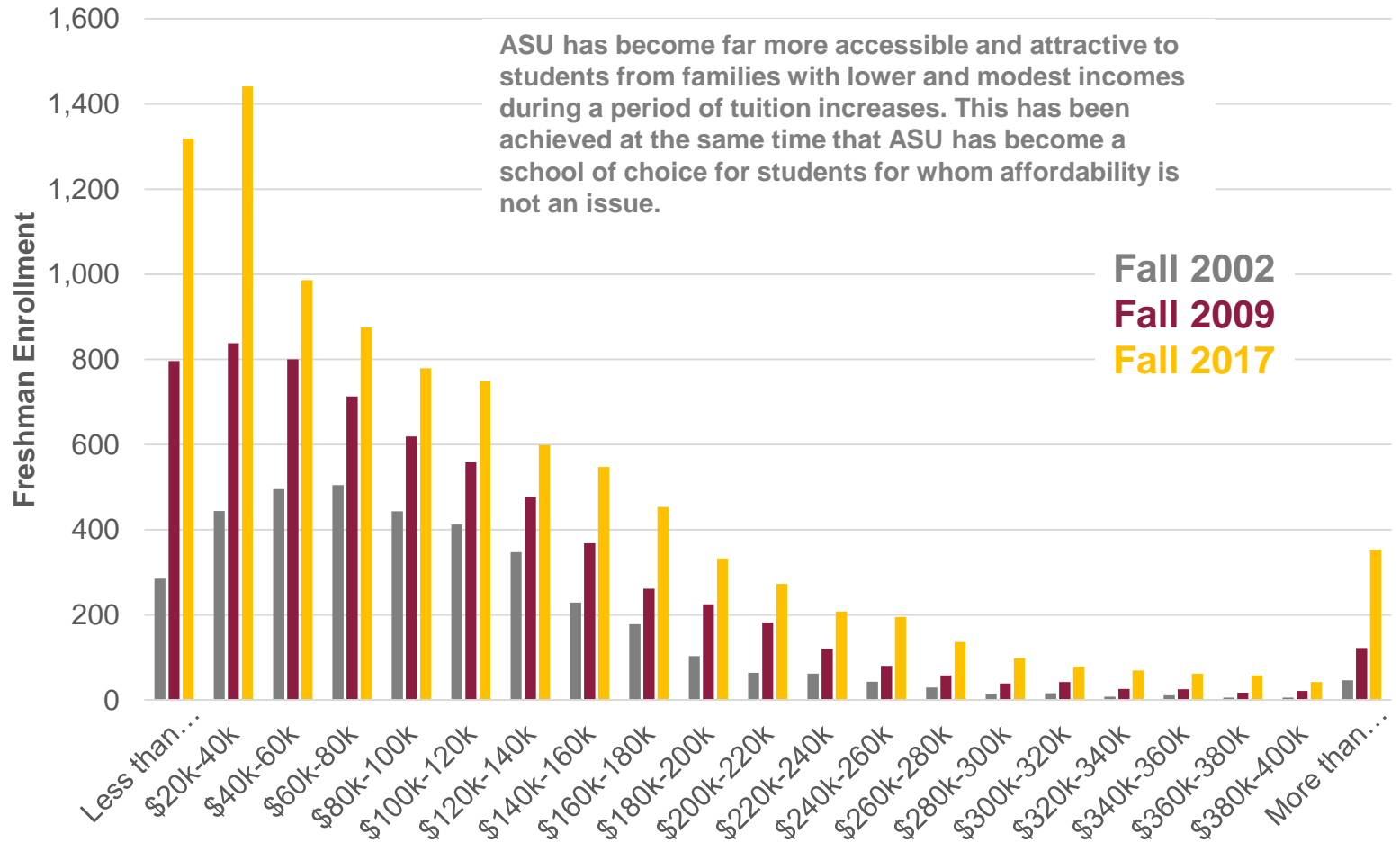


Average Annual Resident UG Tuition and Fee Increases

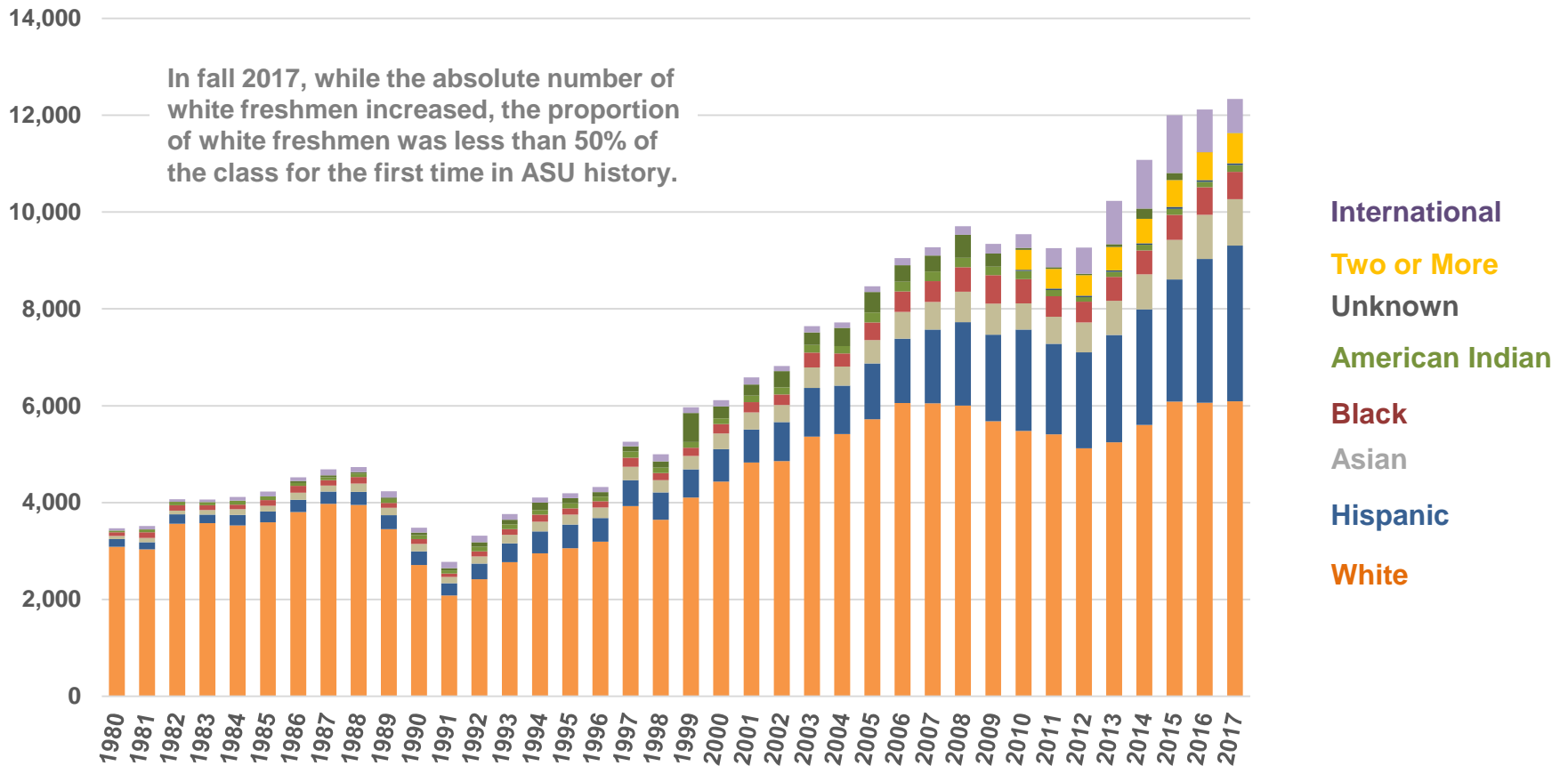
Actual FY04 to FY18 Planning Range FY19 to FY25



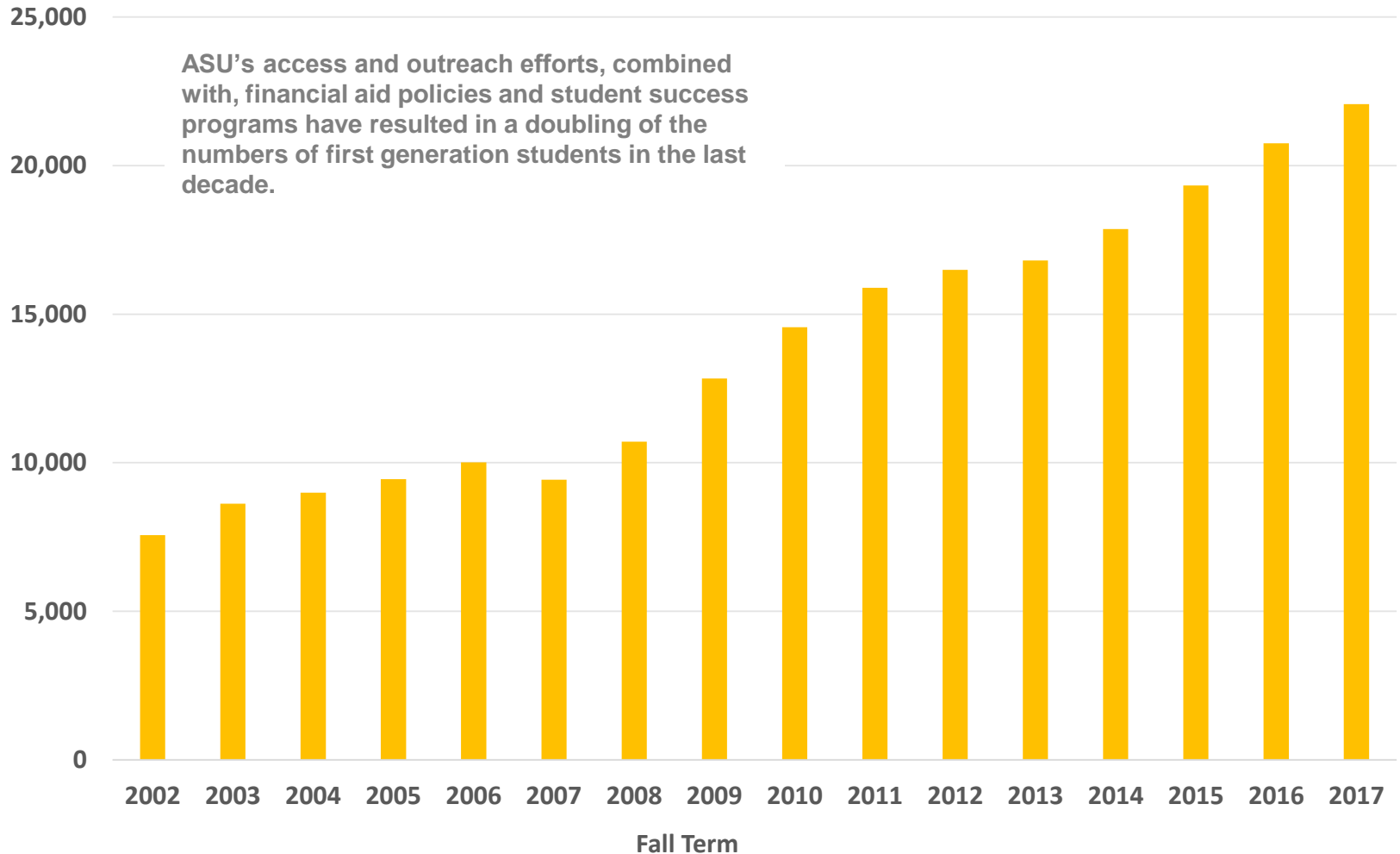
ASU First-Time Full-Time Freshmen Enrollment by Adjusted Family Income



First-Time Freshmen Enrollment, Fall 1980-Fall 2017

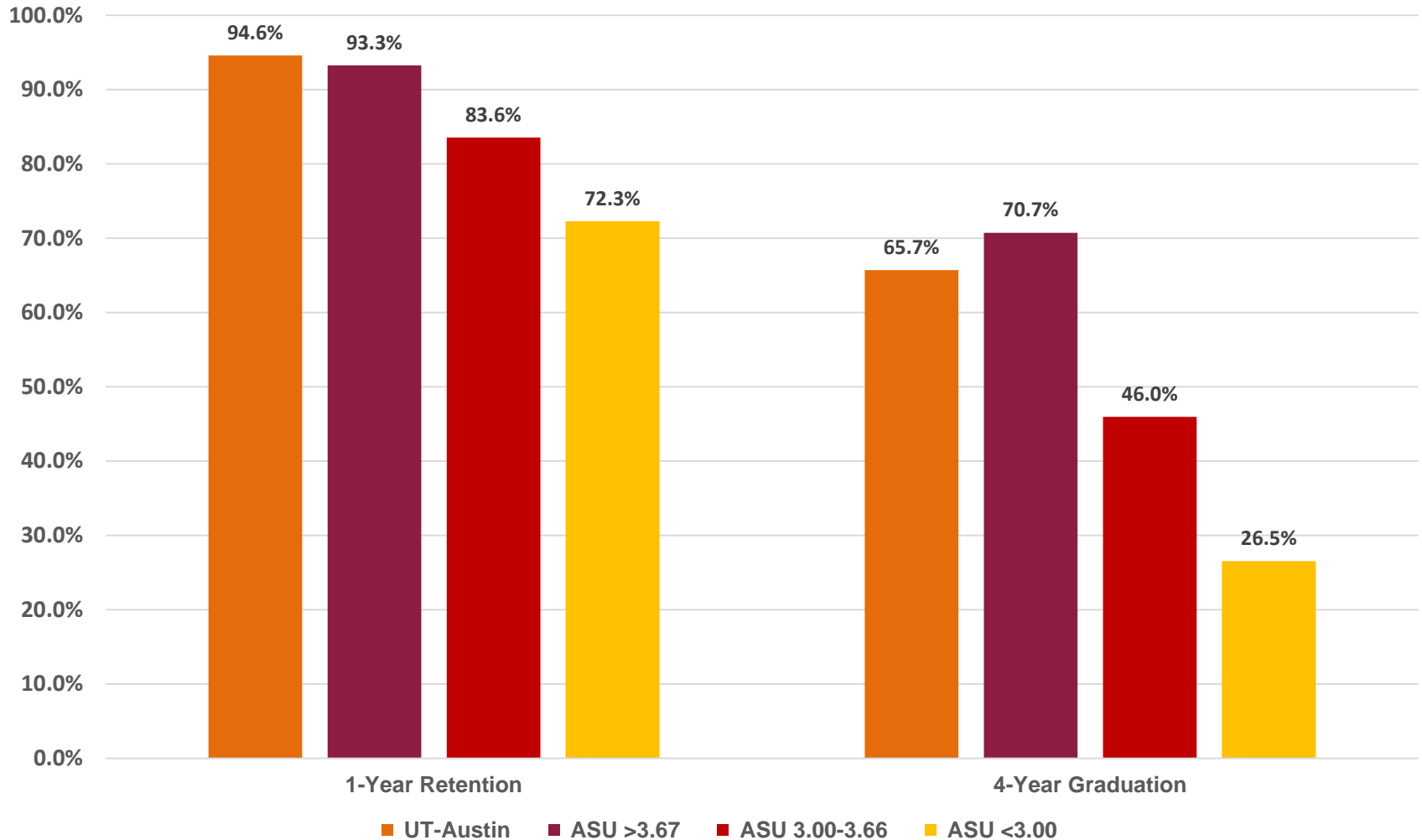


First-Generation Undergraduates at ASU



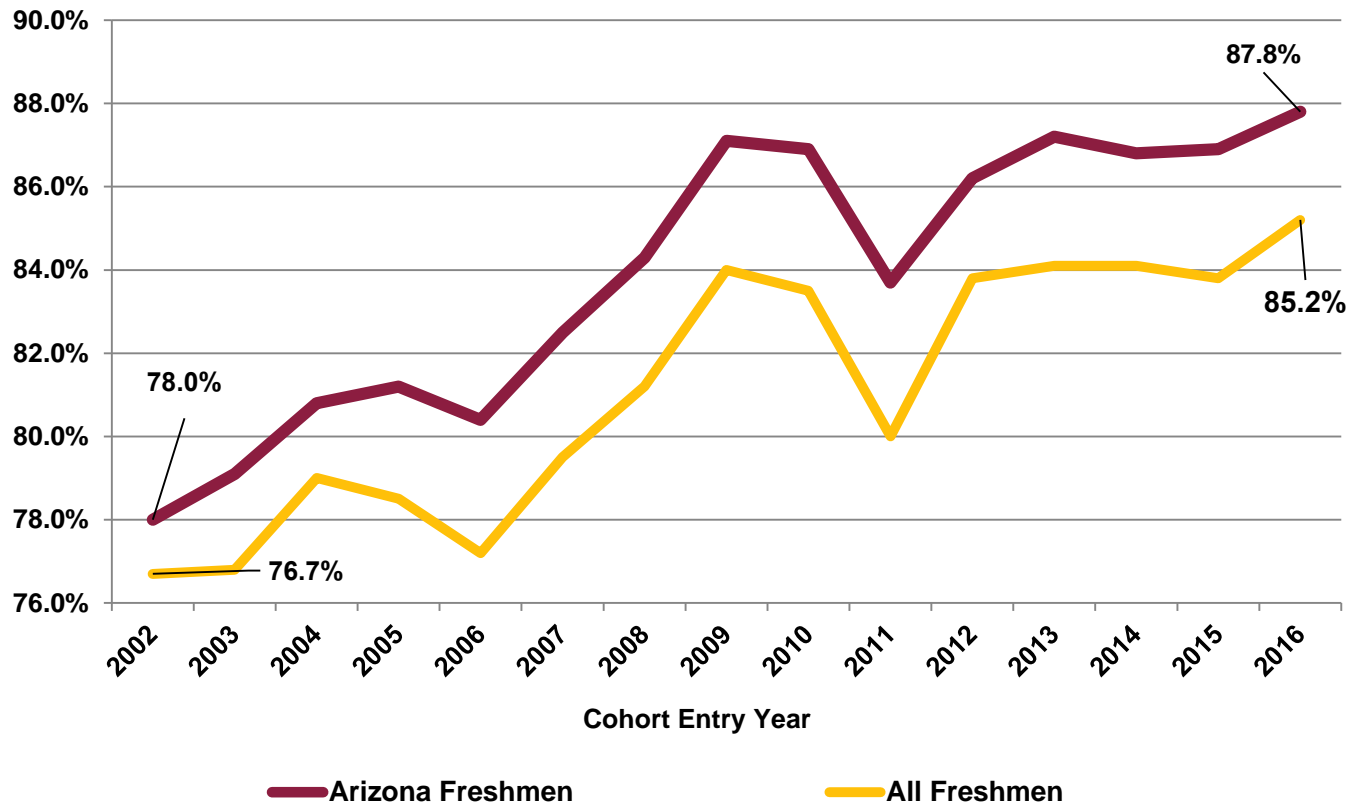
Source: ASU analysis of FAFSA data. UOIA #9390.

Freshmen Entering in Fall 2013 Retention and Graduation by Entering High School GPA

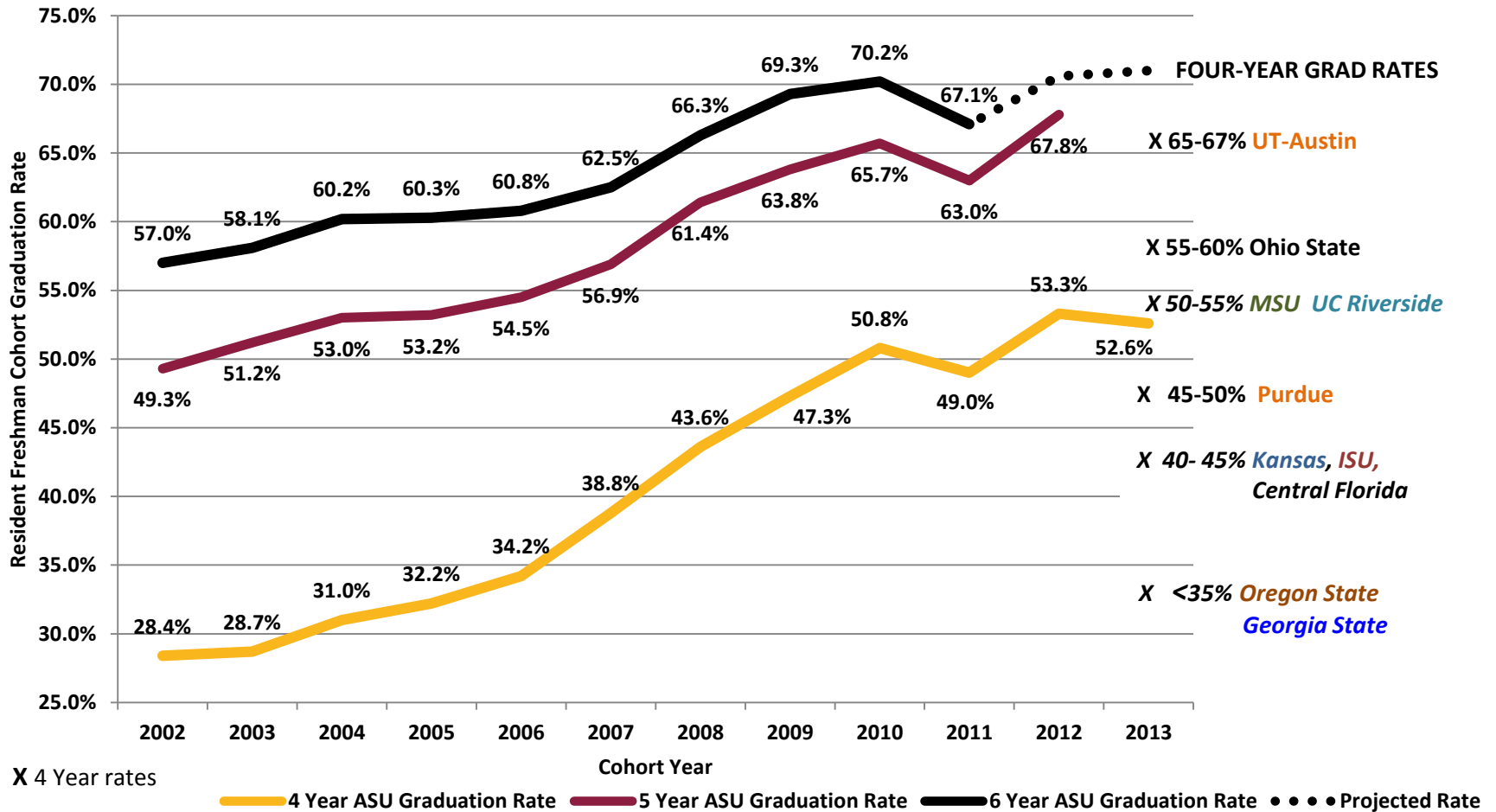


Access and cost effectiveness are meaningful only if they are accompanied by improved performance in student success, research, and reputation

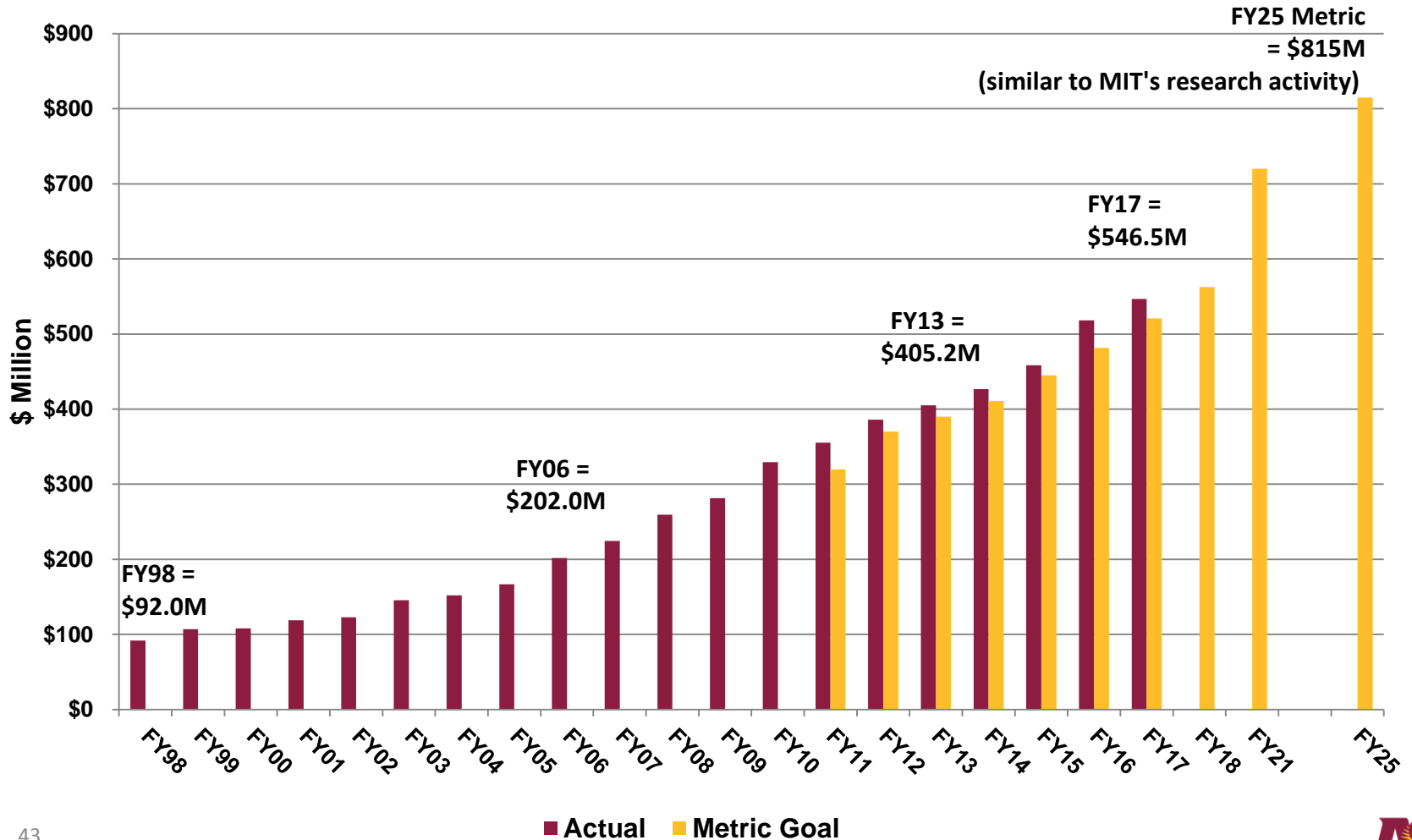
Freshman First Year Retention



Resident Freshman Graduation Rates



Research expenditures have doubled every six to eight years



2016 National Science Foundation (NSF) Higher Education Research and Development (HERD) Rankings

Total Research Expenditures among Institutions without a Medical School

9

of 719

Ahead of:

Caltech
Princeton University
Carnegie Mellon University

Total Research Expenditures

44

of 876

Ahead of:

The University of Chicago
Brown University
Princeton University

NSF Funded Expenditures

23rd

Ahead of:

Harvard University
University of Chicago
University of Pennsylvania
Princeton University

NASA Funded Expenditures

10th

Ahead of:

Stanford University
Georgia Tech
UCLA
Columbia University

Social Sciences

4th

Ahead of:

Berkeley
Cornell University
UCLA
University of Pennsylvania

Humanities

4th

Ahead of:

Yale
Harvard University
Princeton University
Columbia University

Geological and Earth Sciences

2nd

Ahead of:

Stanford University
MIT
PennState
University of Michigan

Electrical, Electronic, and Communications Engineering

7th

Ahead of:

Stanford University
Carnegie Mellon University
MIT

ASU is a major economic driver for the metropolitan area and the State

Direct and induced economic activity from ASU operations provided over 49,000 jobs and \$3.76 billion in gross state product. This does not include the wages earned by ASU graduates shown on the next slide.

Economic Impact of Arizona State University, FY2017

	Gross state product (in mill \$)	Labor income (in mill \$)	Employment
University payroll & employment	\$1,386	\$1,195	16,992
University non-payroll operating expenditures	315	196	4,616
University construction	166	129	2,246
Spending by faculty & staff	611	363	7,692
Student spending	1,194	617	16,238
Visitor spending	88	57	1,537
Total economic impact	\$3,760	\$2,557	49,321

Source: Center for Competitiveness and Prosperity Research, L. William Seidman Research Institute, W.P. Carey School of Business, Arizona State University

ASU's graduates are a major economic driver for the metropolitan area and the state

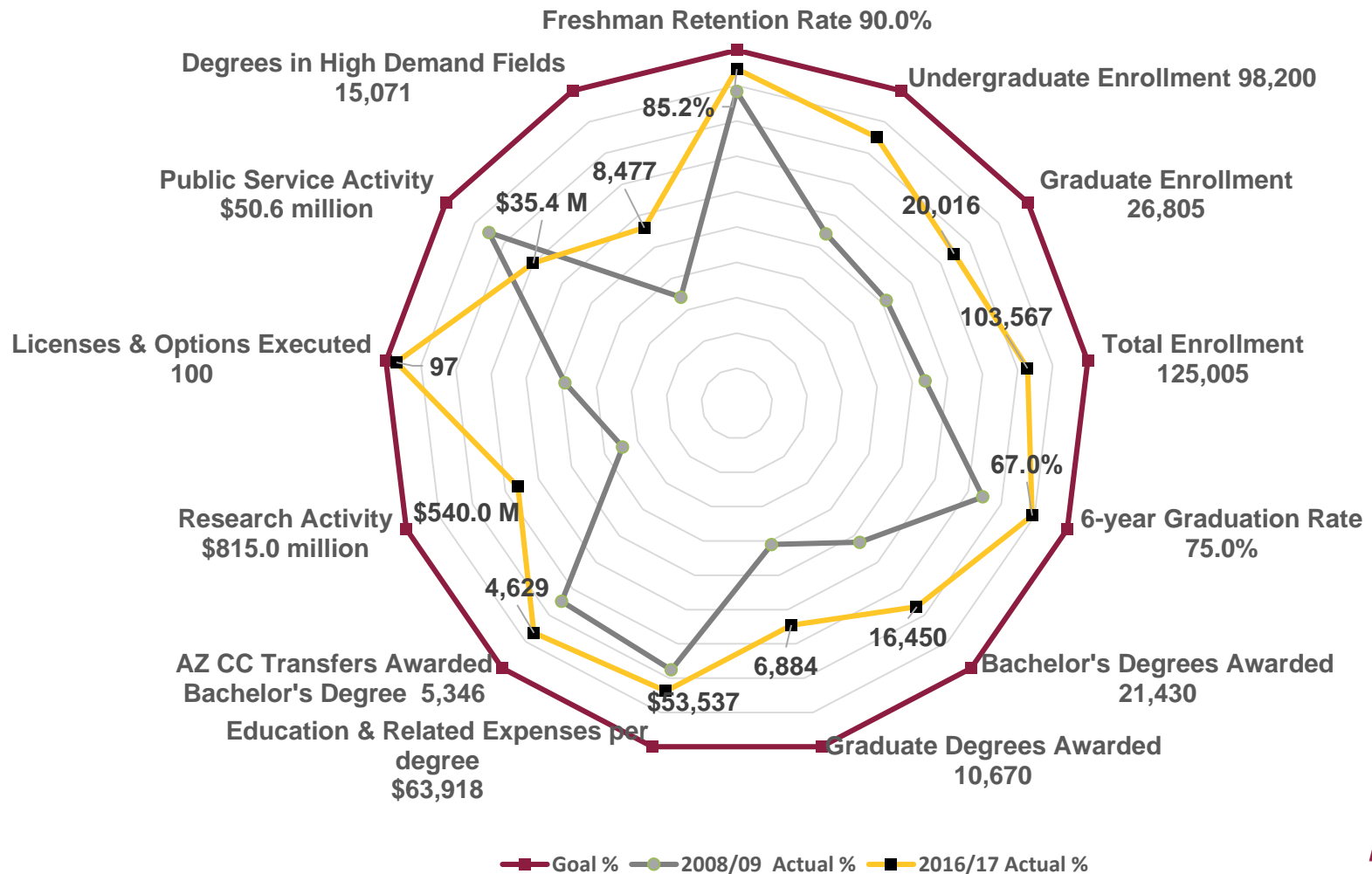
Wages paid to ASU graduates in Arizona in 2015 totaled **\$8.9 billion**.
 Arizona taxes on those wages were almost **\$650 million**.

Wages Earned and Taxes Paid in Arizona in 2015 by ASU Graduates 1990-2015

	Resident UG	Resident G	Non-Resident UG	Non-Resident G
Degrees awarded 1990-2015	167,971	52,021	43,664	30,430
Number employed in Arizona	99,881	29,795	8,714	5,481
% employed in Arizona	59%	57%	20%	18%
Wages earned	\$5,589,572,900	\$2,368,837,600	\$488,130,400	\$410,455,300
Estimated State tax revenue	\$401,926,600	\$166,677,600	\$35,266,900	\$29,108,600

2008 vs. 2017 Performance

ASU's has made substantial progress since the metric targets were established in 2008-09. The Enterprise Plan provides the strategy for continued progress.



Discussion

