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

Small Contribution to Knowledge Generation

$28 million in annual research expenditures

Low Freshman Diversity

84.9% White

9.9% underrepresented minority

* = 2017 Dollars
Performing Public Agency Model

ASU in 2002

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
Established Public Enterprise Model

ASU in 2018

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.


Source: Table B03002, American Community Survey, US Census Bureau
Arizona’s changing demographics drive ASU’s planning


Data: Table PEPALL5N, American Community Survey, US Census Bureau
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.
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.
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
First-Year Retention Rate Changes

- **ABOR**
  - 2016-2017: 81.1%
  - 2009-2010: 78.5%

- **ASU**
  - 2016-2017: 85.2%
  - 2009-2010: 81.2%

- **UA**
  - 2016-2017: 80.5%
  - 2009-2010: 78.1%

- **NAU**
  - 2016-2017: 75.5%
  - 2009-2010: 72.2%

Six-Year Graduation Rate Changes

- **ABOR**
  - 2016-2017: 61.5%
  - 2009-2010: 56.0%

- **ASU**
  - 2016-2017: 67.0%
  - 2009-2010: 55.8%

- **UA**
  - 2016-2017: 59.9%
  - 2009-2010: 58.4%

- **NAU**
  - 2016-2017: 53.3%
  - 2009-2010: 50.0%
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)
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
ASU’s use of resources per degree is 11% below the median for universities without medical schools. Its research activity is almost four times greater than the median of the lower cost schools, and 1.5 times the median of the higher cost schools.
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.

<table>
<thead>
<tr>
<th>University</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arizona State University</td>
<td>12.91</td>
<td>12.93</td>
<td>12.92</td>
<td>12.85</td>
<td>12.42</td>
</tr>
<tr>
<td>Florida State University</td>
<td>15.33</td>
<td>15.81</td>
<td>16.10</td>
<td>16.05</td>
<td>16.14</td>
</tr>
<tr>
<td>Indiana University-Bloomington</td>
<td>20.11</td>
<td>20.53</td>
<td>20.07</td>
<td>20.77</td>
<td>20.35</td>
</tr>
<tr>
<td>Ohio State University-Main Campus</td>
<td>24.34</td>
<td>22.97</td>
<td>23.02</td>
<td>22.92</td>
<td>22.70</td>
</tr>
<tr>
<td>Pennsylvania State University-Main Campus</td>
<td>28.58</td>
<td>28.79</td>
<td>28.75</td>
<td>29.04</td>
<td>29.61</td>
</tr>
<tr>
<td>Rutgers University-New Brunswick</td>
<td>23.01</td>
<td>23.90</td>
<td>25.67</td>
<td>24.98</td>
<td>24.72</td>
</tr>
<tr>
<td>The University of Texas at Austin</td>
<td>28.77</td>
<td>32.77</td>
<td>26.00</td>
<td>26.70</td>
<td>27.38</td>
</tr>
<tr>
<td>University of Connecticut</td>
<td>26.92</td>
<td>28.08</td>
<td>28.32</td>
<td>27.59</td>
<td>27.19</td>
</tr>
<tr>
<td>University of Illinois at Urbana-Champaign</td>
<td>24.25</td>
<td>24.44</td>
<td>25.14</td>
<td>25.23</td>
<td>25.18</td>
</tr>
<tr>
<td>University of Iowa</td>
<td>23.22</td>
<td>23.32</td>
<td>23.50</td>
<td>24.08</td>
<td>24.22</td>
</tr>
<tr>
<td>University of Maryland-College Park</td>
<td>24.91</td>
<td>25.75</td>
<td>26.00</td>
<td>27.37</td>
<td>25.47</td>
</tr>
<tr>
<td>University of Minnesota-Twin Cities</td>
<td>29.62</td>
<td>30.30</td>
<td>30.85</td>
<td>31.24</td>
<td>31.56</td>
</tr>
<tr>
<td>University of Washington-Seattle Campus</td>
<td>25.60</td>
<td>24.44</td>
<td>25.29</td>
<td>25.60</td>
<td>21.70</td>
</tr>
<tr>
<td>University of Wisconsin-Madison</td>
<td>26.42</td>
<td>26.85</td>
<td>26.91</td>
<td>27.59</td>
<td>27.48</td>
</tr>
<tr>
<td>Peer Median</td>
<td>24.91</td>
<td>24.44</td>
<td>25.67</td>
<td>25.60</td>
<td>25.18</td>
</tr>
</tbody>
</table>
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.
Enrollment capacity is critical to the ability to meet the access mission as well as to creating the resources needed in the Enterprise Plan. ASU is prepared to expand resident enrollment beyond the metric levels shown. It should be noted that the non-resident and online metrics are based on slower rates of growth than those of the last five years.

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

The Enterprise Plan has led to an increasingly diverse range of revenue sources.

Gross revenue as of 7/1/02 was $775M. 41% ($320M) came from state investment.

State appropriations
International UG tuition
Fees and summer session
Scholarship allowance
Auxiliary

Resident UG tuition
Graduate tuition
ASU Online tuition (gross)
Other E&G sources
TRIF

Non-Resident UG tuition
Thunderbird
New revenue sources
Gifts
Research including F&A (external only)
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

Actual adjusted to FY08 $
Projected adjusted to FY08 $ (low inflation)

ABOR E&G actual
ABOR E&G projected
ASU’s financial strength led to a bond rating upgrade in 2017.
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.

Tuition and financial aid policies are critical to both access and the Enterprise Plan revenue strategy.
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

- UA Pledge
- NAU Pledge
- ASU

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

<table>
<thead>
<tr>
<th>Enter Fall 13</th>
<th>Enter Fall 14</th>
<th>Enter Fall 15</th>
<th>Enter Fall 16</th>
<th>Enter Fall 17</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,692</td>
<td>$9,990</td>
<td>$10,358</td>
<td>$10,764</td>
<td>$10,790</td>
</tr>
<tr>
<td>$10,002</td>
<td>$10,157</td>
<td>$10,478</td>
<td>$10,640</td>
<td>$10,790</td>
</tr>
<tr>
<td>$10,391</td>
<td>$10,957</td>
<td>$11,424</td>
<td>$11,769</td>
<td>$12,248</td>
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<tr>
<td>$9,000</td>
<td>$9,500</td>
<td>$10,000</td>
<td>$10,500</td>
<td>$11,000</td>
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<tr>
<td>$12,500</td>
<td>$12,000</td>
<td>$11,500</td>
<td>$11,000</td>
<td>$10,500</td>
</tr>
</tbody>
</table>

Enter Fall 13: $9,692
Enter Fall 14: $9,990
Enter Fall 15: $10,358
Enter Fall 16: $10,764
Enter Fall 17: $10,790

ASU

NAU Pledge

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

Note: UA pledge program began in FY15. Rates for fall 13 entrants are for non-guaranteed tuition. ASU rates after FY18 are estimated at annual increases of 1.5% and 3%.
Tuition rate increases have been low for the last six years—ASU pledges to hold annual resident tuition rates to < 3% for 12 years.
The planning parameters for FY19 to FY25 are to hold annual increases as close to zero as possible, with increases not to exceed 3% in any year.

This would result in increases of zero to $160-$175 per year or 12 years at less than inflation.
ASU has become far more accessible and attractive to students from families with lower and modest incomes during a period of tuition increases. This has been achieved at the same time that ASU has become a school of choice for students for whom affordability is not an issue.

All data adjusted to 2017 dollars using CPI. Analysis limited to dependent students. Source: ASU analysis of FAFSA data.
In fall 2017, while the absolute number of white freshmen increased, the proportion of white freshmen was less than 50% of the class for the first time in ASU history.
ASU’s access and outreach efforts, combined with financial aid policies and student success programs have resulted in a doubling of the numbers of first generation students in the last decade.

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.
Resident Freshman Graduation Rates

<table>
<thead>
<tr>
<th>Year</th>
<th>4-Year Graduation Rate</th>
<th>5-Year Graduation Rate</th>
<th>6-Year Graduation Rate</th>
<th>Projected Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>28.4%</td>
<td>28.7%</td>
<td>31.0%</td>
<td></td>
</tr>
<tr>
<td>2003</td>
<td>30.0%</td>
<td>30.0%</td>
<td>32.2%</td>
<td></td>
</tr>
<tr>
<td>2004</td>
<td>32.0%</td>
<td>32.5%</td>
<td>34.2%</td>
<td></td>
</tr>
<tr>
<td>2005</td>
<td>34.2%</td>
<td>34.5%</td>
<td>36.0%</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>36.0%</td>
<td>36.5%</td>
<td>38.0%</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>37.5%</td>
<td>38.0%</td>
<td>40.0%</td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>39.0%</td>
<td>39.5%</td>
<td>41.0%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>40.5%</td>
<td>41.0%</td>
<td>42.5%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>42.0%</td>
<td>42.5%</td>
<td>44.0%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>43.5%</td>
<td>44.0%</td>
<td>45.5%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>45.0%</td>
<td>45.5%</td>
<td>47.0%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>46.5%</td>
<td>47.0%</td>
<td>48.5%</td>
<td></td>
</tr>
</tbody>
</table>

FIVE-YEAR STUDY PERIOD

<table>
<thead>
<tr>
<th>Year</th>
<th>4-Year Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>49.3%</td>
</tr>
<tr>
<td>2003</td>
<td>51.2%</td>
</tr>
<tr>
<td>2004</td>
<td>53.0%</td>
</tr>
<tr>
<td>2005</td>
<td>53.2%</td>
</tr>
<tr>
<td>2006</td>
<td>54.5%</td>
</tr>
<tr>
<td>2007</td>
<td>56.9%</td>
</tr>
<tr>
<td>2008</td>
<td>59.0%</td>
</tr>
<tr>
<td>2009</td>
<td>61.4%</td>
</tr>
<tr>
<td>2010</td>
<td>63.8%</td>
</tr>
<tr>
<td>2011</td>
<td>65.7%</td>
</tr>
<tr>
<td>2012</td>
<td>67.1%</td>
</tr>
<tr>
<td>2013</td>
<td>67.8%</td>
</tr>
</tbody>
</table>

FOUR-YEAR GRAD RATES

- 50-55% MSU UC Riverside
- <35% Oregon State
- 40-45% Kansas, ISU, Central Florida
- 45-50% Purdue
- 65-67% UT-Austin
- 55-60% Ohio State

ASU Graduation Rates

- 4-Year ASU Graduation Rate
- 5-Year ASU Graduation Rate
- 6-Year ASU Graduation Rate
- Projected Rate
Research expenditures have doubled every six to eight years.
## 2016 National Science Foundation (NSF) Higher Education Research and Development (HERD) Rankings

<table>
<thead>
<tr>
<th>Category</th>
<th>Institution(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Research Expenditures</strong></td>
<td><strong>Ahead of:</strong> Caltech, Princeton University, Carnegie Mellon University</td>
</tr>
<tr>
<td></td>
<td><strong>9</strong> of 719</td>
</tr>
<tr>
<td><strong>NSF Funded Expenditures</strong></td>
<td><strong>23rd</strong> Ahead of: Harvard University, University of Chicago, University of Pennsylvania, Princeton University</td>
</tr>
<tr>
<td><strong>Social Sciences</strong></td>
<td><strong>4th</strong> Ahead of: Berkeley, Cornell University, UCLA, University of Pennsylvania</td>
</tr>
<tr>
<td><strong>Geological and Earth Sciences</strong></td>
<td><strong>2nd</strong> Ahead of: Stanford University, MIT, PennState, University of Michigan</td>
</tr>
<tr>
<td><strong>Total Research Expenditures</strong></td>
<td><strong>44</strong> of 876</td>
</tr>
<tr>
<td><strong>NASA Funded Expenditures</strong></td>
<td><strong>10th</strong> Ahead of: Stanford University, Georgia Tech, UCLA, Columbia University</td>
</tr>
<tr>
<td><strong>Humanities</strong></td>
<td><strong>4th</strong> Ahead of: Yale, Harvard University, Princeton University, Columbia University</td>
</tr>
<tr>
<td><strong>Electrical, Electronic, and Communications Engineering</strong></td>
<td><strong>7th</strong> Ahead of: Stanford University, Carnegie Mellon University, MIT</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Gross state product</th>
<th>Labor income</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in mill $)</td>
<td>(in mill $)</td>
<td></td>
</tr>
<tr>
<td>University payroll &amp; employment</td>
<td>$1,386</td>
<td>$1,195</td>
</tr>
<tr>
<td>University non-payroll operating expenditures</td>
<td>315</td>
<td>196</td>
</tr>
<tr>
<td>University construction</td>
<td>166</td>
<td>129</td>
</tr>
<tr>
<td>Spending by faculty &amp; staff</td>
<td>611</td>
<td>363</td>
</tr>
<tr>
<td>Student spending</td>
<td>1,194</td>
<td>617</td>
</tr>
<tr>
<td>Visitor spending</td>
<td>88</td>
<td>57</td>
</tr>
<tr>
<td><strong>Total economic impact</strong></td>
<td><strong>$3,760</strong></td>
<td><strong>$2,557</strong></td>
</tr>
</tbody>
</table>

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

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