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| | FY 2004 Actual | FY 2005 Estimate | FY 2006 Approved |
|---------------------------------------|--------------------|--------------------------|-------------------------------------|
| OPERATING BUDGET | | | |
| <i>Full Time Equivalent Positions</i> | 2,027.0 | 2,071.7 ^{1/} | 2,079.7 ^{2/} |
| Personal Services | 92,052,200 | 97,199,600 | 99,298,500 |
| Employee Related Expenditures | 27,438,000 | 29,313,600 | 33,428,900 |
| Professional and Outside Services | 2,156,700 | 1,798,100 | 1,798,100 |
| Travel - In State | 529,100 | 562,500 | 564,100 |
| Travel - Out of State | 550,900 | 33,700 | 8,000 |
| Other Operating Expenditures | 17,273,900 | 18,617,900 | 17,532,100 |
| Library Acquisitions | 1,766,700 | 1,679,400 | 1,679,400 |
| Equipment | 1,171,200 | 1,904,800 | 1,946,600 |
| OPERATING SUBTOTAL | 142,938,700 | 151,109,600 | 156,255,700 |
| SPECIAL LINE ITEMS | | | |
| NAU - Yuma | 2,181,400 | 2,192,300 | 2,271,400 |
| AGENCY TOTAL | 145,120,100 | 153,301,900 | 158,527,100^{3/4/5/} |
| FUND SOURCES | | | |
| General Fund | 111,437,300 | 117,440,500 | 122,336,800 ^{6/} |
| <u>Other Appropriated Funds</u> | | | |
| University Collections Fund | 33,682,800 | 35,861,400 ^{1/} | 36,190,300 ^{2/} |
| SUBTOTAL - Other Appropriated Funds | 33,682,800 | 35,861,400 | 36,190,300 |
| SUBTOTAL - Appropriated Funds | 145,120,100 | 153,301,900 | 158,527,100 |
| Other Non-Appropriated Funds | 102,713,400 | 119,448,500 | 121,841,100 |
| Federal Funds | 44,929,900 | 46,143,200 | 47,187,600 |
| TOTAL - ALL SOURCES | 292,763,400 | 318,893,600 | 327,555,800 |

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). NAU offers 163 degree-programs to approximately 20,000 students in 9 colleges and schools and 1 center at its campus in Flagstaff. The university’s primary focus is undergraduate residential education. The university is also responsible for providing the large majority of statewide public distance learning programs, both over the Internet and through 29 instructional sites, including a Yuma Campus that operates in conjunction with Arizona Western College.

^{1/} The amounts include 11 FTE Positions and \$1,716,700 from the University Collections Fund above the appropriated FY 2005 amounts. A footnote in the FY 2005 General Appropriation Act appropriates any collections receipts above the original amount to the university. (See footnote #7)

^{2/} Includes 29.3 FTE Positions funded from Special Line Items in FY 2006.

^{3/} The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

^{4/} The appropriated monies are not to be used to support any student newspaper. (General Appropriation Act footnote)

^{5/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

^{6/} The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)

^{7/} Any unencumbered balances remaining in the collections account on June 30, 2005 and all collections received by the university during the fiscal year, when paid into the State Treasury, are appropriated for operating expenditures, capital outlay and fixed charges. Earnings on state lands and interest on the investment of the Permanent Land Funds are appropriated in compliance with the Enabling Act and the Constitution of Arizona. No part of this appropriation may be expended for supplemental life insurance or supplemental retirement. Receipts from summer session, when deposited in the State Treasury, together with any unencumbered balance in the summer session account, are hereby appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

| PERFORMANCE MEASURES | FY 2003 | FY 2004 | FY 2006 |
|--|---------|---------|----------|
| | Actual | Actual | Approved |
| • % of graduating seniors who rate their overall university experience as “good”/“excellent” | 97 | 98 | 98 |
| • % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty | 93 | 92 | 93 |
| • Average number of years taken to graduate for students who began as freshmen | 4.5 | 4.5 | 4.4 |

Comments: The percentage of graduating seniors rating their overall university experience as “excellent” was 44% in FY 2003 and 47% in FY 2004. The percentage of undergraduate students taught by ranked faculty is significantly higher at NAU than at any of the other state universities due to its focus on undergraduate residential education. To reduce freshmen’s average number of years to graduation, NAU is expanding its academic advising services.

Operating Budget

The budget provides \$156,255,700 for the operating budget in FY 2006. This amount consists of \$120,065,400 from the General Fund and \$36,190,300 from the University Collections Fund.

The approved amount includes an increase of \$4,266,800 from the General Fund in FY 2006 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Out-of-State Travel Reduction

The approved amount includes a decrease of \$(106,100) from the General Fund in FY 2006 for a 25% reduction in the agency’s FY 2004 out-of-state travel funding. Since NAU receives its operating budget as a lump sum, the university has authority to move monies between line items. NAU shifted monies from the Travel - Out of State line in FY 2005. Therefore, the above reduction consists of \$(31,100) from the Travel - Out of State line and \$(75,000) from the Other Operating Expenditures line.

Enrollment Growth

The approved amount includes an increase of \$985,400 and 8 FTE Positions in FY 2006 for enrollment growth. The former amount consists of \$656,500 from the General Fund and \$328,900 from the University Collections Fund.

The General Fund amount finances projected growth in student enrollment, as calculated by the conventional student enrollment funding formula. Since enrollment growth also contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues. Projected formula enrollment is growing by 118 full-time equivalent (FTE) students, to 16,707 FTE students in FY 2006.

The Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) amended A.R.S. § 15-1661 to codify, for all state universities, the first calculation of the

enrollment funding formula. This first step derives student enrollment, in units of FTE students, by weighing total earned credit hours according to 3 different academic levels. These weights are summarized below:

| <u>Academic Level</u> | <u>Credit Hours/FTE</u> |
|------------------------------|-------------------------|
| Lower-Division Undergraduate | 15 |
| Upper-Division Undergraduate | 12 |
| Graduate and Professional | 10 |

The second calculation of the enrollment funding formula, which does not appear in statute, projects student enrollment for the next academic year based on a weighted rolling average of the current and past 2 academic years, with the past academic year receiving double the weight of each of the other 2 years. The third calculation, which also does not appear in statute, adds or subtracts 1 faculty and 0.5 support FTE Positions, and their associated costs, for every 22-FTE-student change.

Special Line Items

NAU - Yuma

The budget provides \$2,271,400 and 29.3 FTE Positions from the General Fund for NAU-Yuma in FY 2006. The approved amounts include an increase of \$79,100 from the General Fund in FY 2006 for statewide adjustments. NAU operates a campus in Yuma in conjunction with Arizona Western College.

Additional Legislation

Higher Education Budget Reconciliation Bill

The Higher Education Budget Reconciliation Bill (Laws 2005, Chapter 330) includes several provisions affecting the state universities beyond the changes discussed in the *Enrollment Growth* policy issue above. For further explanation of this act, please see *Additional Legislation* in the *Arizona Board of Regents* section.