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	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
Full Time Equivalent Positions	2,063.0	2,083.8 ^{1/}	2,086.7 ^{2/}
Personal Services	94,283,800	105,535,300	109,751,900
Employee Related Expenditures	28,857,000	35,765,800	39,459,100
Professional and Outside Services	2,249,200	1,971,300	2,091,700
Travel - In State	540,700	581,200	580,800
Travel - Out of State	708,500	32,300	30,800
Other Operating Expenditures	20,445,000	14,431,400	14,479,400
Library Acquisitions	2,016,300	1,679,400	1,679,400
Equipment	1,557,400	1,744,300	1,794,900
OPERATING SUBTOTAL	150,657,900	161,741,000	169,868,000^{3/}
SPECIAL LINE ITEMS			
NAU - Yuma	2,159,700	2,309,400	2,425,400
University Discretionary Adjustment	0	0	3,200,000
AGENCY TOTAL	152,817,600	164,050,400	175,493,400^{4/5/6/}
FUND SOURCES			
General Fund	114,964,200	124,506,400	135,949,400 ^{7/}
<u>Other Appropriated Funds</u>			
University Collections Fund	37,853,400	39,544,000	39,544,000 ^{8/}
SUBTOTAL - Other Appropriated Funds	37,853,400	39,544,000	39,544,000
SUBTOTAL - Appropriated Funds	152,817,600	164,050,400	175,493,400
Other Non-Appropriated Funds	108,798,100	118,116,000	118,421,800
Federal Funds	46,734,900	47,669,400	48,384,600
TOTAL - ALL SOURCES	294,097,900	329,835,800	342,299,800

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 4.1 FTE Positions and their associated funding above the appropriated FY 2006 amounts. A footnote in the FY 2006 General Appropriation Act appropriates any tuition collections receipts above the original amount to the university. (See footnote #8)

2/ Includes 29.4 FTE Positions funded from Special Line Items in FY 2007.

3/ Laws 2006, Chapter 350 appropriation of \$500,000.

4/ The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)

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

6/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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

8/ Any unencumbered balances remaining in the collections account on June 30, 2006 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 2005	FY 2007
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> • % of graduating seniors who rate their overall university experience as “good”/“excellent” <p>Comments: The percentage of graduating seniors rating their overall university experience as “excellent” was 44% in FY 2003 and 47% in both FY 2004 and FY 2005. By gathering the impressions of only graduating seniors, this measure overlooks the potentially negative opinions of students who chose to transfer or who otherwise left the university.</p>	97	98	95	98
<ul style="list-style-type: none"> • % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty <p>Comments: 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. Ranked faculty includes all instructors with the exception of unpaid volunteers and graduate students. Therefore, this measure does not address undergraduate student contact with professors.</p>	93	92	83	93
<ul style="list-style-type: none"> • % of full-time undergraduate students enrolled per semester in 3 or more primary courses with professors of any rank <p>Comments: The budget provides a new performance measure to specifically ascertain undergraduate student contact with professors. Professors of some rank taught 58% of all undergraduate primary class sections at NAU in FY 2005, compared to 47% nationally in FY 2004.</p>	--	--	--	60
<ul style="list-style-type: none"> • Average number of years taken to graduate for students who began as freshmen <p>Comments: To reduce freshmen’s average number of years to graduation, NAU is expanding its academic advising services.</p>	4.5	4.5	4.5	4.5

Operating Budget

The budget provides \$169,868,000 for the operating budget in FY 2007. This amount consists of:

	FY 2007
General Fund	\$130,324,000
University Collections Fund	39,544,000

These amounts include an increase of \$7,813,000 from the General Fund for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

The budget also includes the following adjustments:

Enrollment Growth

The budget provides no funding in FY 2007 for enrollment growth. Projected growth in student enrollment is calculated by the part-statutory, part-conventional student enrollment funding formula. Projected formula enrollment remains stable at 16,707 full-time equivalent (FTE) students in FY 2007.

A.R.S. § 15-1661 codifies, 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 next, current, and prior academic years, with the current academic year receiving double the weight of each of the other 2 years.

The third calculation, which also does not appear in statute, historically has added or subtracted 1 faculty and 0.5 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. In FY 2007 however, the budget provides approximate increases of 1 faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change.

Over 155 Credit Hour Reduction

The budget provides a decrease of \$(186,000) and (2.1) FTE Positions from the General Fund in FY 2007 to eliminate funding for NAU students with over 155 credit hours.

A.R.S. § 15-1661, as amended by the Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352), prohibits funding state university students who have earned credit hours in excess of a credit hour threshold, with certain exceptions. Meanwhile A.R.S. § 15-1626 allows ABOR to raise tuition rates for those students.

In FY 2007, the credit hour threshold is 155 credit hours. This threshold declines to 150 hours in FY 2008 and 145 hours thereafter. Within the new guidelines of Chapter 352, NAU reports 14 FTE students over the credit hour threshold.

Water Research

The State Government Budget Reconciliation Bill (Laws 2006, Chapter 350) provides a one-time increase of \$500,000 and 5 FTE Positions from the General Fund in FY 2007 to research state water issues.

In total, Chapter 350 provides \$1,500,000 and 15 FTE Positions from the General Fund in FY 2007, divided evenly between the 3 universities, for one-time expenditures to collaboratively improve water policy and management in the state. NAU will research water issues in the Upper Verde watershed, while Arizona State University will research urban water issues and University of Arizona will research water issues from the perspective of earth and environmental sciences.

Special Line Items

NAU - Yuma

The budget provides \$2,425,400 and 29.4 FTE Positions from the General Fund for NAU-Yuma in FY 2007. These amounts include an increase of \$116,000 from the General Fund for statewide adjustments.

NAU operates this campus in conjunction with Arizona Western College in Yuma.

University Discretionary Adjustment

The budget provides \$3,200,000 from the General Fund as a discretionary adjustment in FY 2007. The university can utilize these monies for any operational or capital functions. The amount will be incorporated into the university's base operating budget in future years.

Additional Legislation

Higher Education Budget Reconciliation Bill

The Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) includes several provisions affecting the state universities. For further explanation of this act, please see *Additional Legislation* in the *Arizona Board of Regents* section.