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	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,083.2	2,086.7	2,174.8 <sup>1/</sup>
Personal Services	100,837,100	113,045,900	120,655,900
Employee Related Expenditures	30,968,600	40,082,200	43,690,600
Professional and Outside Services	3,802,300	2,342,400	2,222,000
Travel - In State	616,000	627,700	682,400
Travel - Out of State	908,900	32,300	58,100
Other Operating Expenditures	22,120,900	16,802,400	21,062,700
Library Acquisitions	1,932,300	1,613,700	1,613,700
Equipment	1,329,600	1,725,700	3,042,300
<b>OPERATING SUBTOTAL</b>	<b>162,515,700</b>	<b>176,272,300</b>	<b>193,027,700</b>
<b>SPECIAL LINE ITEMS</b>			
Research Infrastructure Lease-Purchase Payment	0	0	5,900,000 <sup>2/</sup>
NAU - Yuma	2,126,000	2,383,900	2,489,500
Student and Faculty Retention	0	0	4,736,000
<b>AGENCY TOTAL</b>	<b>164,641,700</b>	<b>178,656,200</b>	<b>206,153,200<sup>3/4/5/</sup></b>
<b>FUND SOURCES</b>			
General Fund	122,653,600	135,949,400	160,868,800 <sup>6/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	41,988,100	42,706,800	45,284,400 <sup>7/</sup>
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>41,988,100</b>	<b>42,706,800</b>	<b>45,284,400</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>164,641,700</b>	<b>178,656,200</b>	<b>206,153,200</b>
Other Non-Appropriated Funds	117,488,900	131,328,100	129,337,300
Federal Funds	41,427,800	44,884,500	45,781,900
<b>TOTAL - ALL SOURCES</b>	<b>323,558,400</b>	<b>354,868,800</b>	<b>381,272,400</b>

**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.

<sup>1/</sup> Includes 54.4 FTE Positions funded from Special Line Items in FY 2008.  
<sup>2/</sup> Includes \$5,900,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.  
<sup>3/</sup> The appropriated monies are not to be used for scholarships. (General Appropriation Act footnote)  
<sup>4/</sup> The appropriated monies are not to be used to support any student newspaper. (General Appropriation Act footnote)  
<sup>5/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.  
<sup>6/</sup> The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)  
<sup>7/</sup> Any unencumbered balances remaining in the collections account on June 30, 2007 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 appropriated for the purpose of conducting summer sessions but are excluded from the amounts enumerated above. (General Appropriation Act footnote)

PERFORMANCE MEASURES	FY 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	Approved
• % of graduating seniors who rate their overall university experience as “good”/“excellent”	98	95	96	98
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty 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.	92	83	88	93
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with professors of any rank Comments: Professors of some rank taught 58% of all undergraduate primary class sections at NAU in FY 2006.	--	58	57	60
• Average number of years taken to graduate for students who began as freshmen Comments: To reduce freshmen’s average number of years to graduation, NAU is expanding its academic advising services.	4.5	4.5	4.5	4.5

### **Operating Budget**

The budget provides \$193,027,700 and 2,120.4 FTE Positions for the operating budget in FY 2008. This amount consists of:

	<b>FY 2008</b>
General Fund	\$147,743,300
University Collections Fund	45,284,400

These amounts fund the following adjustments:

#### **Statewide Adjustments**

The budget provides an increase of \$5,838,400 from the General Fund in FY 2008 for statewide adjustments. (Please see the *Statewide Adjustments* section at the end of this *Appropriations Report* for detail.)

#### **Enrollment Growth**

The budget provides an increase of \$7,017,000 and 45.1 FTE Positions in FY 2008 for enrollment growth. This amount consists of:

General Fund	4,439,400
University Collections Fund	2,577,600

These amounts finance projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Projected formula enrollment is growing by 567 full-time equivalent (FTE) students, to 17,274 FTE students in FY 2008.

In FY 2007, NAU had no formula enrollment growth. Their recent increase in enrollment in FY 2008 is

attributed to aggressive marketing of programs, expanded programs at statewide sites, and increased retention of their freshman 2005 class. NAU experienced its largest number of FTE enrollment growth with Flagstaff campus undergraduate students.

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, adds or subtracts 1 faculty and 0.75 support FTE Positions, and their associated General Fund costs, for every 22-FTE-student change. The average salary per FTE is \$67,900, as requested by the university and adjusted for Employee Related Expenditures.

Since enrollment growth also contributes to an increase in university tuition and fee collections, the University

Collections Fund amount reflects these additional revenues.

### **Credit Hour Threshold**

The budget provides no change in FY 2008 from the General Fund for the credit hour threshold. A.R.S. § 15-1661, 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. NAU reported 14 FTE students over the credit hour threshold. This threshold declines to 150 hours in FY 2008 and 145 hours thereafter. No reduction is needed for NAU in FY 2008 because the number of students over the threshold is expected to stay constant.

### **Arizona Water Institute**

The budget provides a decrease of \$(100,000) and (1) FTE Position from the General Fund in FY 2008 for the Arizona Water Institute.

Laws 2006, Chapter 350 provided \$1,500,000 and 15 FTE Positions from the General Fund in FY 2007, divided evenly among the 3 universities, for funding to collaboratively improve water policy and management in the state. Chapter 350 and the Executive both designated the funding as one-time as part of the FY 2007 budget process. The FY 2008 General Appropriation Act (Laws 2007, Chapter 255) makes \$1,200,000 and 12 FTE Positions of the original FY 2007 appropriation permanent in FY 2008. The FY 2007 water institute funding for each university will therefore be reduced by \$(100,000) and (1) FTE Position.

Of the \$1,500,000 appropriated in FY 2007, approximately \$1,100,000 was dedicated to projects that include collaboratively resolving water issues in the state, such as sustainable water management, education efforts related to water, and technology transfer and economic development. The remaining \$400,000 was dedicated to the employment of project coordinators and associate directors. These are university employees acting as visiting researchers to the Department of Water Resources, the Department of Commerce, and the Department of Environmental Quality.

### **Health Professions Expansion**

The budget provides an increase of \$4,000,000 and 19 FTE Positions from the General Fund in FY 2008 for an expansion of health professions programming in both Flagstaff and at NAU's locations throughout the state. NAU will establish programs in human biology, occupational therapy, and physician assistant with the goal of increasing the number of health care workers in the state. With additional funding from the Technology Research Infrastructure Funds (TRIF), NAU also will expand its offerings in nursing and physical therapy. Funding will initially support the hiring of personnel and

building and equipping laboratories. Personnel and operations will represent the bulk of ongoing expenditures for these programs.

### **Special Line Items**

#### **Research Infrastructure Lease-Purchase Payment**

The budget provides \$5,900,000 from the General Fund for the new Research Infrastructure Lease-Purchase Payment Special Line Item in FY 2008.

This funding is for the first debt service payment associated with the financing for research infrastructure projects. Laws 2003, Chapter 267 appropriated a total of \$34,600,000 from the General Fund to the state university system from FY 2008 through FY 2031 to finance lease-purchase payments for research infrastructure project agreements entered into before July 1, 2006. Therefore, this funding will not appear in the General Appropriation Act. In total, the universities have issued \$482,500,000 in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, NAU has issued \$75,000,000 in COPs for the following projects, only 1 of which, the College of Engineering and Technology Renovation, is completed.

- \$15,000,000 for College of Engineering and Technology Renovation
- \$18,000,000 for an Applied Research and Development Facility
- \$33,000,000 for a New Laboratory Facility
- \$4,000,000 for a NAU-Yuma Applied Research Facility
- \$5,000,000 for North Campus Research Infrastructure

#### **NAU - Yuma**

The budget provides \$2,489,500 and 29.4 FTE Positions from the General Fund for NAU-Yuma in FY 2008. This amount funds the following adjustment:

#### **Statewide Adjustments**

The budget provides an increase of \$105,600 from the General Fund in FY 2008 for statewide adjustments.

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

#### **Student and Faculty Retention**

The budget provides \$4,736,000 and 25 FTE Positions from the General Fund for the new Student and Faculty Retention Special Line Item in FY 2008.

In total, the 3 state universities will receive \$29,800,000 to improve student and faculty retention at their respective institutions. Additionally, Laws 2007, Chapter 255 requires ABOR to submit a student retention report on December 1 of every year that details for each university the number of existing full-time positions dedicate to

student retention, the number of new hires and other related expenditures funded through legislative appropriations dedicated to student retention, and freshman and sophomore retention rates. NAU will use its appropriation to decrease class sizes, provide additional advising for freshman and transfer students, and improve technology in classrooms. NAU will also use a portion of the appropriation to recruit and retain faculty.

### ***Additional Legislation***

#### ***Higher Education Budget Reconciliation Bill***

The Higher Education Budget Reconciliation Bill (Laws 2007, Chapter 265) includes several provisions affecting the state universities. For further explanation of this act, please see *Additional Legislation* in the *Arizona Board of Regents* section.