Northern Arizona University

JLBC: Amy Strauss OSPB: Judith Padres

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC	
ODED A TING DUDGET				
OPERATING BUDGET	2.092.2	2.096.7	2 126 9	
Full Time Equivalent Positions Personal Services	2,083.2 100,837,100	2,086.7 113,045,900	2,126.8 115,912,600	
Employee Related Expenditures	30,968,600	40,082,200	40,729,400	
Professional and Outside Services	3,802,300	2,342,400	2,222,000	
Travel - In State	616,000	627,700	635,400	
Travel - Out of State	908,900	32,300	58,100	
Other Operating Expenditures	22,120,900	16,802,400	19,502,700	
Library Acquisitions	1,932,300	1,613,700	1,613,700	
Equipment	1,329,600	1,725,700	1,898,300	
OPERATING SUBTOTAL	162,515,700	176,272,300	182,572,200	
SPECIAL LINE ITEMS				
Research Infrastructure Lease-Purchase Payment	0	0	5,900,000	
NAU - Yuma	2,126,000	2,383,900	2,383,900	
AGENCY TOTAL	164,641,700	178,656,200	190,856,100	
FUND SOURCES General Fund Other Appropriated Funds	122,653,600	135,949,400	145,571,700	
University Collections Fund	41,988,100	42,706,800	45,284,400	
SUBTOTAL - Other Appropriated Funds	41,988,100	42,706,800	45,284,400	
SUBTOTAL - Other Appropriated Funds	164,641,700	178,656,200	190,856,100	
Other Non-Appropriated Funds	117,488,900	131,328,100	129,337,300	
Federal Funds	41,427,800	44,884,500	45,781,900	
TOTAL - ALL SOURCES	323,558,400	354,868,800	365,975,300	
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CHANGE IN FUNDING SUMMARY	· · · · · · · · · · · · · · · · · · ·	FY 2007 to FY 2008 JLBC		
	\$ Change	% Change		
General Fund	9,622,300	7.1%		
Other Appropriated Funds	2,577,600	6.0%		
Total Appropriated Funds	12,142,400	6.8%		
Non Appropriated Funds	(1,990,800)	(1.5%)		
Total - All Sources	11,049,000	3.1%		

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.

PERFORMANCE MEASURES	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 JLBC
• % 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.	92	83	88	93

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.

• % of full-time undergraduate students enrolled per -- 58 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.

• Average number of years taken to graduate for students who began as freshmen

4.5 4.5

Comments: To reduce freshmen's average number of years to graduation, NAU is expanding its academic advising services.

4.5

CHANGES FROM FY 2007

Operating Budget

The JLBC includes \$182,572,200 and 2,096.8 FTE Positions for the operating budget in FY 2008. This amount consists of:

 General Fund
 FY 2008

 University Collections Fund
 \$137,287,800

 45,284,400

This amount would fund the following adjustments:

Standard Changes GF (179,900)
The JLBC includes a decrease of \$(179,900) from the General Fund in FY 2008 for standard changes.

Rebase Retirement Rates GF (37,200) The JLBC includes a decrease of \$(37,200) from the General Fund in FY 2008 for rebasing Public Safety Personnel Retirement System retirement rates at actual FY 2007 levels. The actual rates that will be charged to the agency in FY 2007 are lower than were assumed in the FY 2007 budget; this reduction leaves sufficient funds to pay the actual rates. Increases for FY 2008 changes to rates are funded separately as a statewide item and would be distributed to agencies at a later time.

Enrollment Growth	GF	4,439,400
	OF	2,577,600

The JLBC includes 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

57

60

4.5

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:

Academic Level	Credit Hours/FTE
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 GF 0 The JLBC includes no change in FY 2008 from the

The JLBC includes no change in FY 2008 from the General Fund for the credit hour threshold. 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. 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.

One-Time Funding for

Arizona Water Institute GF (500,000)

The JLBC includes a decrease of \$(500,000) and (5) FTE Positions from the General Fund in FY 2008 to reflect one-time funding for researching state water issues.

Laws 2006, Chapter 350 provided \$1,500,000 and 15 FTE Positions from the General Fund in FY 2007, divided evenly between 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 Executive's approach to this item in FY 2008 is not known as of this writing.

Of the \$1,500,000 appropriated in FY 2007, approximately \$1,100,000 is dedicated to projects that include collaboratively resolving water issues in the state, such as sustainable water management, education efforts related to and technology transfer and economic water, development. The remaining \$400,000 is 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. Without continued funding, the Water Institute would have to find an alternative source of funding for these initiatives.

Special Line Items

Research Infrastructure Lease-Purchase Payment

The JLBC includes \$5,900,000 from the General Fund for the Research Infrastructure Lease-Purchase Payment in FY 2008. This amount would fund the following adjustment:

Lease-Purchase Payment GF 5,900,000 The JLBC includes an increase of \$5,900,000 from the General Fund in FY 2008 to make the first debt service payment associated with the financing for research infrastructure projects.

Laws 2003, Chapter 267 appropriated a total of \$34.6 million 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 \$482.5 million in Certificates of Participation (COPs) for research infrastructure projects. Of this amount, NAU has issued \$75 million in COPs for the following projects, only 1 of which, the College of Engineering and Technology Renovation, is completed.

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

NAU - Yuma

The JLBC includes \$2,383,900 and 30 FTE Positions from the General Fund for NAU-Yuma in FY 2008. This amount is unchanged from FY 2007.

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

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

The appropriated monies are not to be used for scholarships.

The appropriated monies are not to be used to support any student newspaper.

The state General Fund appropriations shall not be used for alumni association funding.

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 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.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Discretionary Adjustment

The FY 2007 budget provided \$3,200,000 from the General Fund as a discretionary adjustment to the NAU Operating Budget. The university is able to utilize these monies for any operational or capital functions at any campus and it is incorporated into the university's base

operating budgets in future years. Of the \$3.2 million discretionary adjustment:

- \$2.2 million will be used long-term to address NAU's Educating Arizonans program. This program focuses on resident student access and success in obtaining a bachelor's degree. Of this amount, \$1.2 million will be used for statewide expansion of NAU's distance learning programs, and \$1 million for undergraduate support;
- \$450,000 is to make salaries more competitive;
- \$550,000 will be used to improve the learning environment in facilities and classrooms to address critical building issues.

ABOR Tuition Increases

On November 30, 2006, ABOR approved tuition amounts (excluding fees) for FY 2008. (For more information, please see the Arizona Board of Regents section of this report.)

SUMMARY OF FUNDS	FY 2006	FY 2007
	Actual	Estimate

Auxiliary Fund (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Sales revenues of substantially self-supporting university services.

Purpose of Fund: To provide university-related non-academic services for students, faculty, staff, and the public. Auxiliary enterprises include student housing, bookstores, student unions, and intercollegiate athletics.

Funds Expended 50,973,100 54,223,000
Year-End Fund Balance 14,963,000 14,988,400

Designated Fund (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Retained tuition and fees, summer session fees, student aid administrative allowances, and unrestricted gifts and grants. **Purpose of Fund:** To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. The university designates monies in the fund into sub-accounts for specific purposes. Indirect Cost Recovery, a Designated sub-account, is presented separately.

 Funds Expended
 42,517,200
 52,628,900

 Year-End Fund Balance
 23,215,200
 16,776,600

Endowment and Life Income Fund (No Fund Number/A.R.S. § 15-1601)

Non-Appropriated

Source of Revenue: Interest income on invested endowment and life income gifts, a portion of financial aid trust fees assessed to students, and a portion of university trust land earnings.

Purpose of Fund: To accumulate earnings to a level that will support a financial aid program.

 Funds Expended
 0
 0

 Year-End Fund Balance
 14,385,700
 15,895,700

Federal Grant Fund (No Fund Number/A.R.S. § 15-1666)

Non-Appropriated

Source of Revenue: Federal grants and contracts.

Purpose of Fund: To support specific operating and research purposes as identified by the federal government.

 Funds Expended
 40,041,300
 43,470,300

 Year-End Fund Balance
 0
 0

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Federal Indirect Cost Recovery Fund (No Fund Number/A.R.S. § 15-1601)	Non-Appropriated	
Source of Revenue: Federally sponsored research programs.		
Purpose of Fund: To assist and promote federally sponsored research.	1 20 4 500	1 11 1 200
Funds Expended	1,386,500	1,414,200
Year-End Fund Balance	3,157,100	3,450,900
Indirect Cost Recovery Fund (Non-Federal) (No Fund Number/A.R.S. § 15-1601)	Non-Appropriated	
Source of Revenue: Non-federally sponsored research programs.		
Purpose of Fund: To assist and promote non-federally sponsored research.	014 500	920 900
Funds Expended	814,500	830,800
Year-End Fund Balance	427,700	548,200
Loan Fund (No Fund Number/A.R.S. § 15-1601)	Non	-Appropriated
Source of Revenue: Interest on federal student loans and reimbursements from federal loan forgiveness Purpose of Fund: The federal government provides the majority, or 95% of funding for these loans. The an administrative allowance, which is reflected in the Designated Fund.		ed do not include
Funds Expended	335,600	340,000
Year-End Fund Balance	6,973,000	6,980,000
Restricted Fund (Excluding Federal Funds) (No Fund Number/A.R.S. § 15-1601)	Non	-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Reseat the Arizona Board of Regents Summary of Funds,) as well as a portion of financial aid trust fees assessed Purpose of Fund: To support specific operating and research purposes as identified by the private or no	l to students.	
Funds Expended	22,848,500	23,305,400
Year-End Fund Balance	16,539,900	18,437,600
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees, as well as a portion of university trust land earnings.		
Purpose of Fund: To operate the university.		
Funds Expended	41,988,100	42,706,800
Year-End Fund Balance	0	0