President: John D. Haeger, Ph.D. JLBC Analyst: Leah Kritzer

	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 APPROVED
OPERATING BUDGET			
Full Time Equivalent Positions	2,174.8	2,238.9	2,014.9 1/
Personal Services	120,103,100	132,172,800	132,172,800
Employee Related Expenditures	38,155,200	42,537,000	42,997,300
Professional and Outside Services	5,650,100	1,999,700	1,999,700
Travel - In State	701,900	679,700	679,700
Travel - Out of State	874,800	37,100	37,100
Other Operating Expenditures	24,727,800	22,523,400	1,246,200
Library Acquisitions	1,915,200	1,902,900	1,902,900
Equipment	1,670,500	1,435,300	1,435,300
OPERATING SUBTOTAL	**193,798,600**	**203,287,900**	**182,471,000**
SPECIAL LINE ITEMS			
ABOR Tuition Increase	0	0	3,600,000
NAU - Yuma	2,853,700	2,993,500	2,999,600
Research Infrastructure Lease-Purchase Payment	5,900,000	5,900,000	5,900,000 2/
Student and Faculty Retention	4,736,000	0	0 3/
Teacher Training	0	2,000,000	2,000,000 4/
Lump Sum Reduction	0	(21,288,300)	0 5/
AGENCY TOTAL	**207,288,300**	**192,893,100**	**196,970,600** 6/7/8/9/
FUND SOURCES			
General Fund	159,465,000	140,272,600	134,642,800 10/
Other Appropriated Funds			
University Collections Fund	47,823,300	52,620,500	62,327,800 11/
SUBTOTAL - Other Appropriated Funds	47,823,300	52,620,500	62,327,800
SUBTOTAL - Appropriated Funds	**207,288,300**	**192,893,100**	**196,970,600**
Other Non-Appropriated Funds	125,725,200	137,214,500	140,205,200
Federal Funds	46,804,100	47,740,200	48,694,700 12/
TOTAL - ALL SOURCES	379,817,600	377,847,800	385,870,500

1/ Includes 29.4 FTE Positions funded from Special Line Items in FY 2010 prior to the lump sum reductions.
2/ Includes $5,900,000 from the General Fund appropriated by Laws 2003, Chapter 267 to finance lease-purchase payments for research infrastructure projects.
3/ Funding originally appropriated from the Student and Faculty Retention Special Line Item was shifted to the operating budget in FY 2009.
4/ The appropriated amount for the Teacher Training line item is to be distributed to the Arizona K-12 Center for Program Implementation and Mentor Training for the Arizona Mentor Teacher program prescribed by the State Board of Education. (General Appropriation Act footnote)
5/ The FY 2009 lump sum reduction is shifted to the operating budget in FY 2010.
6/ The appropriated monies shall not be used for scholarships. (General Appropriation Act footnote)
7/ The appropriated monies shall not be used to support any student newspaper. (General Appropriation Act footnote)
8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency. As appropriated by Laws 2009, 3rd Special Session, Chapter 11.
9/ The appropriated monies shall not be used for the Centennial Scholars Program. (General Appropriation Act footnote)
10/ The state General Fund appropriations shall not be used for alumni association funding. (General Appropriation Act footnote)
11/ Any unencumbered balances remaining in the collections account on June 30, 2009 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)
12/ Does not include funding from the American Recovery and Reinvestment Act of 2009 (ARRA).

AGENCY DESCRIPTION — Established in 1899, Northern Arizona University (NAU) is one of 3 public universities governed by the Arizona Board of Regents (ABOR). The university's primary focus is undergraduate residential education. NAU offers 148 degree-programs and 50 certificate programs to 22,507 students in 6 colleges through its campus in Flagstaff and its distance learning program. The university is responsible for providing the large majority of statewide public distance learning programs, both over the Internet and through 39 instructional sites, including a Yuma Branch Campus that operates in conjunction with Arizona Western College.

PERFORMANCE MEASURES	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2010 Approved
• % of graduating seniors who rate their overall university experience as "good"/"excellent"	96	96	96	96
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with ranked faculty	88	85	82	82
• % of full-time undergraduate students enrolled per semester in 3 or more primary courses with professors of any rank	57	61	61	61
• Average number of years taken to graduate for students who began as freshmen	4.5	4.5	4.6	4.6

Operating Budget

The budget includes $182,471,000 and 2,209.5 FTE Positions for the operating budget in FY 2010. These amounts consist of:

	FY 2010
General Fund	$123,743,200
University Collections Fund	58,727,800

These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of $460,300 from the General Fund in FY 2010 for state employee health insurance statewide adjustments. *(Please see the General Provisions section.)*

Continue FY 2009 Lump Sum Reduction

The budget includes a decrease of $(21,288,300) from the General Fund in FY 2010 to continue the midyear FY 2009 lump reduction and allocate the reduction to the operating budget.

Operating Reduction

The budget includes a decrease of $(6,096,200) from the General Fund in FY 2010 for an operating reduction. Laws 2009, 3rd Special Session, Chapter 11 included a university systemwide reduction of $(40,000,000). This reduction was allocated in the same manner that ABOR allocated the FY 2009 midyear reductions.

Enrollment Growth

The budget includes an increase of $6,107,300 from the University Collections Fund in FY 2010 for enrollment growth.

Since enrollment growth contributes to an increase in university tuition and fee collections, the University Collections Fund amount reflects these additional revenues.

The budget includes no funding for General Fund enrollment growth. If General Fund enrollment growth was funded, it would have provided an increase of $9,532,600. These amounts would have funded projected growth in student enrollment, as calculated by the part-statutory, part-conventional student enrollment funding formula. Projected formula enrollment is growing by 1,181 full-time equivalent (FTE) students, to 19,264 FTE students in FY 2010.

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 $70,100, as requested by the university and adjusted for Employee Related Expenditures.

Credit Hour Threshold

The budget includes no credit hour threshold adjustment. If the budget had included a credit hour threshold, this adjustment would have decreased enrollment funding by $(17,000) and (0.2) FTE Positions from the General Fund in FY 2010 to eliminate funding for 2.1 additional NAU students over the credit hour threshold between FY 2009 and FY 2010.

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.

This threshold was 150 hours in FY 2008 and declines to 145 hours in FY 2009 and beyond. NAU reported 18.2 FTE students over the threshold in FY 2008 and 20.3 FTE students in FY 2009, or a net increase of 2.1 FTE students over the credit hour threshold at NAU in FY 2009.

ABOR Tuition Increase

The budget includes $3,600,000 from the University Collections Fund for the tuition increase approved by ABOR in FY 2010. This amount funds the following adjustments:

FY 2010 Tuition Increase

NAU estimates that it will generate an additional $3,600,000 due to the FY 2010 tuition increases approved by ABOR at its December 2008 meeting. NAU has not yet decided how it will allocate the additional revenue. This amount does not include revenues from the economic recovery surcharge established by the universities for FY 2010, which are estimated to generate an additional $5,065,000 for NAU for FY 2010. *(Please see the ABOR budget narrative pages for more information.)*

NAU - Yuma

The budget includes $2,999,600 and 29.4 FTE Positions from the General Fund for NAU-Yuma in FY 2010. These amounts fund the following adjustments:

Statewide Health Insurance Adjustments

The budget includes an increase of $6,100 from the General Fund in FY 2010 for state employee health insurance statewide adjustments.

In FY 2009, NAU transferred $504,000 from its operating budget to the NAU-Yuma Special Line Item. This amount is continued in FY 2010. NAU operates this campus in conjunction with the Arizona Western College in Yuma.

Research Infrastructure Lease-Purchase Payment

The budget includes $5,900,000 from the General Fund for the Research Infrastructure Lease-Purchase Payment Special Line Item in FY 2010. This amount is unchanged from FY 2009.

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 does 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 $77,475,000 in COPs for the following projects:

- $15,000,000 for College of Engineering and Technology Renovation;
- $18,000,000 for an Applied Research and Development Facility;
- $35,475,000 for a New Laboratory Facility;
- $4,000,000 for a NAU-Yuma Applied Research Facility;
- $5,000,000 for North Campus Research Infrastructure.

NAU has completed each of these projects.

Student and Faculty Retention

The budget includes no funding for the Student and Faculty Retention Special Line Item in FY 2010. This amount is unchanged from FY 2009.

In FY 2009, $4,736,000 and 25 FTE Positions were shifted from the Student and Faculty Retention Special Line Item to the operating budget. In total, the 3 state universities received $29,800,000 in FY 2008 to improve student and faculty retention at their respective institutions.

NAU uses these monies to decrease class sizes, provide additional advising for freshman and transfer students, and improve technology in classrooms. NAU also uses a portion of the appropriation to recruit and retain faculty.

Teacher Training

The budget includes $2,000,000 from the General Fund for the Teacher Training Special Line Item in FY 2010. This amount is unchanged from FY 2009.

In FY 2009, funding for the program was shifted from the Department of Education's Teacher Training Special Line Item to NAU. The Teacher Training program serves to increase the number of teachers serving as mentors under the Teacher Training ("Master Teacher") program. The Arizona K-12 Center is affiliated with NAU and is located in downtown Phoenix.

Lump Sum Reduction

The budget includes an agencywide lump sum reduction of $(21,288,300) for the midyear FY 2009 revisions.

	FY 2009	FY 2010
Lump Sum Reduction		
General Fund	$(21,288,300)	$0

Laws 2009, 3rd Special Session, Chapter 11 continued the $(21,288,300) midyear FY 2009 revision in FY 2010. The reduction is applied to NAU's operating budget and therefore is not displayed in the lump sum reduction line item for FY 2010.

FTE Position Reduction

The budget includes a decrease of (224) FTE Positions for a lump sum FTE Position reduction. *(Please see the General Provisions section.)*

Laws 2009, 3rd Special Session, Chapter 11, Section 17 requires every General Fund supported agency, board, commission, or other state entity to reduce its number of FTE Positions by 5% on or before February 1, 2010. This reduction has not been recorded in the summary table above. The actual impact of this provision is to be determined.

American Reinvestment and Recovery Act

The American Recovery and Reinvestment Act (ARRA) requires the U.S. Department of Education to distribute approximately $831,869,300 to Arizona as part of the State Fiscal Stabilization Fund for education programs (*Please see the ARRA summary pages for more information.)*

A total of $182,808,000 was distributed to Arizona for higher education programs in FY 2009. Of this amount, $28,671,000 was allocated to the community colleges and $154,137,000 to the universities. NAU received $23,491,000 of the $154,137,000. It is anticipated that the universities will receive additional ARRA funding in FY 2010, but the amount is currently unknown.