

Northern Arizona University

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,057.2	2,249.7	2,249.7 ^{1/}
Personal Services	156,428,500	154,129,000	154,129,000
Employee Related Expenditures	48,493,000	48,188,700	48,170,200
Professional and Outside Services	13,182,800	8,186,100	8,186,100
Travel - In State	351,000	443,400	443,400
Travel - Out of State	722,200	0	0
Other Operating Expenditures	4,852,600	20,942,600	22,477,400
Equipment	506,300	502,800	502,800
OPERATING SUBTOTAL	224,536,400	232,392,600	233,908,900 ^{2/}
SPECIAL LINE ITEMS			
Biomedical Research	3,000,000	3,000,000	3,000,000 ^{3/}
Elimination of Payment Deferral	0	30,494,800 ^{4/}	0
NAU - Yuma	3,084,400	3,068,000	3,067,300
One-Time Funding	0	0	4,000,000 ^{5/}
Parity Funding	12,549,900	0	0
Research Infrastructure Lease-Purchase Payment	5,491,500	5,493,200	4,246,800 ^{6/}
Teacher Training	2,476,500	2,290,600	2,290,600 ^{7/}
AGENCY TOTAL	251,138,700	276,739,200	250,513,600 ^{8/9/}
FUND SOURCES			
General Fund	118,281,200	131,452,600	105,227,000 ^{10/-12/}
<u>Other Appropriated Funds</u>			
University Collections Fund	132,857,500	145,286,600	145,286,600 ^{13/}
SUBTOTAL - Other Appropriated Funds	132,857,500	145,286,600	145,286,600
SUBTOTAL - Appropriated Funds	251,138,700	276,739,200	250,513,600
Other Non-Appropriated Funds	196,588,600	225,996,200	237,598,400
Federal Funds	81,257,700	82,070,300	82,890,700
TOTAL - ALL SOURCES	528,985,000	584,805,700	571,002,700

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 151 degree programs and 73 certificate programs to 28,069 students in 9 colleges/divisions through its campus in Flagstaff and its extended campus programs, also known as distance learning programs. The university is responsible for providing the large majority of statewide extended campus programs, both over the Internet and through 26 instructional sites, including a Yuma Branch Campus that operates in conjunction with Arizona Western College and NAU Yavapai, a partnership with Yavapai Community College.

^{1/} Includes 36.9 GF FTE Positions funded from Special Line Items in FY 2017.

^{2/} Includes \$500,000 appropriated by the FY 2015 General Appropriation Act (Laws 2014, Chapter 18) for university operating expenses in FY 2017.

^{3/} Laws 2014, Chapter 18 appropriated \$3,000,000 annually from the state General Fund in FY 2015, FY 2016, FY 2017, FY 2018 and FY 2019 to Northern Arizona University for distribution to a nonprofit medical research foundation in this state that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers.

^{4/} The FY 2017 General Appropriation Act includes a one-time FY 2016 supplemental General Fund appropriation of \$30,494,800 for the elimination of NAU's share of the universitywide payment deferral.

^{5/} The sum of \$19,000,000 is appropriated from the state General Fund in FY 2017 to the Arizona Board of Regents for distribution for capital improvements or operating expenditures in the following amounts: 1) Arizona State University \$7,000,000, 2) Northern Arizona University \$4,000,000, 3) University of Arizona \$8,000,000. On or before August 1, 2016, the universities shall report the intended use of the monies to the Joint Legislative Budget Committee. Before any expenditure of the monies appropriated in this section for capital improvements, the universities shall submit the scope, purpose and estimated cost of the capital improvements for review by the Joint Committee on Capital Review pursuant to A.R.S. § 41-1252. (General Appropriation Act footnote)

Operating Budget

The budget includes \$233,908,900 and 2,212.8 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	\$88,622,300
University Collections Fund	145,286,600

These amounts fund the following adjustments:

Additional Resources

The budget includes an increase of \$1,534,800 from the General Fund in FY 2017 for NAU's share of additional university resources. *(Please see the University Additional Resources narrative in the Arizona Board of Regents (ABOR) section for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(18,500) from the General Fund in FY 2017 for statewide adjustments.

This amount reflects NAU's allocation of state health insurance premium costs in FY 2017 compared to its revised FY 2016 allocation. *(Please see the Health Insurance Trust Fund narrative in the ABOR section and the Agency Detail and Allocations section for more information.)*

The \$88,622,300 General Fund amount for the operating budget includes \$500,000 that was appropriated for FY 2017 in the FY 2015 General Appropriation Act (Laws 2014, Chapter 18). As a result, these monies do not appear in the FY 2017 General Appropriation Act (Laws 2016, Chapter 117).

Student enrollment growth and tuition and fee increases for students will contribute to an increase in university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these additional revenues. *(Please see the ABOR section for more information.)*

Biomedical Research

The budget includes \$3,000,000 from the General Fund in FY 2017 for the Biomedical Research Special Line Item (SLI). This amount is unchanged from FY 2016.

Section 132 of the FY 2015 General Appropriation Act appropriated \$3,000,000 annually to NAU from FY 2015 to FY 2019 for biotechnology. As a result these monies do not appear in the General Appropriation Act.

Funding is to be allocated to a nonprofit medical research foundation that specializes in biotechnology and that collaborates with universities, hospitals, biotechnology and health science research centers. NAU has awarded the funding to the Translational Genomics Research Institute (TGen). *(Please see the Department of Health Services section for additional information on nonprofit medical research funding.)*

Elimination of Payment Deferral

The budget includes no funding in FY 2017 for the Elimination of Payment Deferral line item. This amount funds the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(30,494,800) from the General Fund in FY 2017 to remove a one-time payment

- 6/ A.R.S. § 15-1670 appropriates \$5,900,000 from the General Fund in FY 2017 to finance lease-purchase payments for research infrastructure projects. This amount has been adjusted by \$(1,653,200) in Section 134 of the FY 2015 General Appropriation Act to reflect savings from refinancing the lease-purchase payments.
- 7/ The appropriated amount for the Teacher Training line item shall 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)
- 8/ The appropriated monies may not be used for scholarships or any student newspaper. (General Appropriation Act footnote)
- 9/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 10/ The state General Fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 11/ The FY 2017 General Fund Budget as adjusted for statewide adjustments is \$105,227,000. This amount includes \$93,459,200 in NAU's individual section of the FY 2017 General Appropriation Act, \$21,000 for statewide adjustments, the \$5,900,000 in A.R.S. § 15-1670 lease-purchase appropriations less \$(1,653,200) in savings from the refinance of Certificates of Participation for research infrastructure in the FY 2015 General Appropriation Act, the \$3,000,000 Biomedical Research appropriation in the FY 2015 General Appropriation Act, the \$500,000 operating budget appropriation in the FY 2015 General Appropriation Act footnote, and a one-time \$4,000,000 appropriation in section 149 of the FY 2017 General Appropriation Act for capital improvements or other operating expenditures.
- 12/ The increased state General Fund appropriation from Laws 2014, Chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 13/ Any unencumbered balances remaining in the collections account on June 30, 2016 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. Monies 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)

to eliminate NAU's share of the universitywide payment deferral in FY 2016. *(Please see the Payment Deferral narrative in the ABOR section for more information.)*

NAU - Yuma

The budget includes \$3,067,300 and 29.4 FTE Positions from the General Fund in FY 2017 for NAU-Yuma. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(700) from the General Fund in FY 2017 for statewide adjustments.

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

One-Time Funding

The budget includes \$4,000,000 from the General Fund in FY 2017 for the One-Time Funding line item. This amount will be used for one-time capital improvements or operating expenditures.

Research Infrastructure Lease-Purchase Payment

The budget includes \$4,246,800 from the General Fund in FY 2017 for the Research Infrastructure Lease-Purchase Payment line item. This amount funds the following adjustments:

Refinance Adjustment

The budget includes a decrease of \$(1,246,400) from the General Fund in FY 2017 to adjust anticipated savings associated with the refinancing of Certificates of Participation (COPs).

Laws 2003, Chapter 267, which established A.R.S. § 15-1670, appropriated a total of \$34,625,000 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. The FY 2015 General Appropriation Act reduced the NAU research infrastructure appropriation of \$5,900,000 by \$(408,500) in FY 2015, \$(406,800) in FY 2016, and \$(1,653,200) in FY 2017.

The FY 2017 Higher Education Budget Reconciliation Bill (BRB) (Laws 2016, Chapter 130) amends A.R.S. § 15-1670 to revise the FY 2018 to FY 2031 research infrastructure appropriations that correspond to NAU's current debt service schedule. *(Please see the Long-Term Budget Impacts narrative below and the 2003 Research*

Infrastructure narrative in the ABOR section for more information.)

Since this funding appears in A.R.S. § 15-1670 and Laws 2014, Chapter 18, Section 134, this funding does not appear in the FY 2017 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, NAU has issued \$77,475,000 in COPs.

Teacher Training

The budget includes \$2,290,600 and 7.5 FTE Positions from the General Fund in FY 2017 for Teacher Training. These amounts are unchanged from FY 2016.

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.

Other Issues

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, NAU's General Fund costs are projected to increase by \$1,649,700 in FY 2018 above FY 2017 and remain largely flat in FY 2019 and FY 2020. These estimates are based on increases in the level of state appropriations required to cover refinanced Research Infrastructure debt service costs in FY 2018 and FY 2019 relative to FY 2017. *(Please see the 2003 Research Infrastructure Refinancing narrative in the ABOR section for more information.)*

FY 2016 Supplemental

The budget includes \$40,200 from the General Fund in FY 2016 for a one-time supplemental for the revised allocation of health insurance premium adjustments. *(Please see the Health Insurance Trust Fund narrative in the ABOR section for more information.)*

Summary

NAU's FY 2017 General Fund budget is \$105,227,000. Of this amount:

- \$93,459,200 is included in NAU's individual section of the FY 2017 General Appropriation Act.
- \$21,000 is part of statewide adjustments.

- \$5,900,000 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$(1,653,200) was reduced in Section 134 of the FY 2015 General Appropriation Act for Research Infrastructure savings.
- \$3,000,000 was appropriated in Section 132 of the FY 2015 General Appropriation Act for Biomedical Research.
- \$500,000 was appropriated by a footnote in Laws 2014, Chapter 18.
- \$4,000,000 is a one-time appropriation in section 149 of the FY 2017 General Appropriation Act for capital improvements or operating expenditures.

University Collections and FTE Positions Adjustments

The FY 2016 General Appropriation Act (Laws 2015, Chapter 8) appropriated \$132,857,500 from the University Collections Fund to NAU in FY 2016. The Collections Fund for NAU represents a portion of tuition, fees and a portion of land earnings. *(Please see ABOR Other Issues for more information.)* If collections exceed the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well and a separate footnote requiring the submission of a report detailing any adjustments to the appropriated amounts.

ABOR sets tuition in the spring (independent of the legislative process). Any revised tuition rates as well as changes in enrollment can result in collections exceeding the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2016 to the Joint Legislative Budget Committee in July 2015, and NAU incorporated the adjusted FY 2016 amounts as part of their FY 2017 budget submission. Accordingly, the FY 2016 amount in the budget has been adjusted upward by \$12,429,100 to \$145,286,600.

The budget also adjusts the number of FTE Positions in FY 2016 to align with General Fund and Collections Fund tuition revenue adjustments. Laws 2015, Chapter 8 originally appropriated 2,057.2 FTE Positions in FY 2016 for NAU. The General Fund accounted for 836.7 FTE Positions and the University Collections Fund accounted for the remaining 1,220.5 FTE Positions. The budget increases the total amount of FY 2016 FTE Positions by 192.5 to 2,249.7. The General Fund accounts for 866.1 FTE Positions and the University Collections Fund accounts for the remaining 1,383.6 FTE Positions. The total number and fund sourcing of FTE Positions significantly increased because adjustments to FTE Positions have not been made in several years.