

Northern Arizona University

	FY 2016 ACTUAL	FY 2017 ESTIMATE	FY 2018 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,249.9	2,260.7	2,260.7 ^{1/}
Personal Services	153,883,700	157,929,100	157,929,100
Employee Related Expenditures	47,931,900	47,933,700	48,067,500
Professional and Outside Services	12,533,800	8,016,600	8,016,600
Travel - In State	328,500	438,800	438,800
Travel - Out of State	561,400	0	0
Other Operating Expenditures	16,768,000	21,165,400	22,315,800
Equipment	420,100	422,000	422,000
OPERATING SUBTOTAL	232,427,400	235,905,600	237,189,800
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,493,200	4,246,800	5,896,500 ^{2/}
Arizona Financial Aid Trust	0	0	1,326,000 ^{3/}
Biomedical Research	3,000,000	3,000,000	3,000,000 ^{4/}
Elimination of Payment Deferral	30,494,800 ^{5/}	0	0
NAU - Yuma	2,924,400	3,067,300	3,069,200
One-Time Funding	0	4,000,000	3,202,800 ^{6/}
Teacher Training	2,399,400	2,290,600	2,290,600 ^{7/}
AGENCY TOTAL	276,739,200	252,510,300	255,974,900 ^{8/9/}
FUND SOURCES			
General Fund	131,452,600 ^{5/}	105,227,000	108,612,800 ^{10/-12/}
<u>Other Appropriated Funds</u>			
University Collections Fund	145,286,600	147,283,300	147,362,100 ^{13/}
SUBTOTAL - Other Appropriated Funds	145,286,600	147,283,300	147,362,100
SUBTOTAL - Appropriated Funds	276,739,200	252,510,300	255,974,900
Other Non-Appropriated Funds	265,653,200	296,832,200	301,915,000
Federal Funds	88,206,900	89,089,200	89,980,200
TOTAL - ALL SOURCES	630,599,300	638,431,700	647,870,100

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 155 degree programs and 78 certificate programs to 30,368 students in 10 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 24 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 2018.

^{2/} A.R.S. § 15-1670 appropriates \$5,896,500 from the General Fund in FY 2018 to finance lease-purchase payments for research infrastructure projects.

^{3/} Prior to the FY 2018 budget, NAU's share of the General Fund monies appropriated for the Arizona Financial Aid Trust were included in the ABOR budget.

^{4/} 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 NAU 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.

^{5/} This appropriation includes a one-time state General Fund appropriation of \$30,494,800 (FY 2017 General Appropriation Act footnote). These funds were appropriated to pay off NAU's share of the university rollover.

Operating Budget

The budget includes \$237,189,800 and 2,223.8 FTE Positions in FY 2018 for the operating budget. These amounts consist of:

	FY 2018
General Fund	\$89,827,700
University Collections Fund	147,362,100

These amounts fund the following adjustments:

Performance Funding Reallocation

The budget includes an increase of \$1,090,000 from the General Fund in FY 2018 for the reallocation of performance funding monies from the Arizona Board of Regents (ABOR) to NAU. The ABOR budget is reduced by the same amount in FY 2018. *(Please see the Performance Funding narrative in the ABOR section for more information.)*

Statewide Adjustments

The budget includes an increase of \$194,200 in FY 2018 for statewide adjustments. This amount consists of:

General Fund	115,400
University Collections Fund	78,800

(Please see the Agency Detail and Allocations section.)

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.)*

- 6/ A. The sum of \$15,000,000 is appropriated from the state General Fund in FY 2018 to Arizona State University, Northern Arizona University and the University of Arizona for capital improvements or operating expenditures in the following amounts: 1) Arizona State University \$7,639,500, 2) Northern Arizona University \$3,202,800, 3) University of Arizona \$4,157,700. D. On or before August 1, 2017, each university shall report the intended use of the monies to the Joint Legislative Budget Committee. E. Before any expenditure of the monies appropriated in subsection A of this section for capital improvements, each university 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)
- 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/ Other than scholarships awarded through the Arizona Financial Aid Trust, 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 or contracts with individuals or entities for lobbying services. (General Appropriation Act footnote)
- 11/ The FY 2018 General Fund Budget as adjusted for statewide adjustments is \$108,612,800. This amount includes \$96,396,200 in NAU's individual section of the FY 2018 General Appropriation Act, \$117,300 for statewide adjustments, the \$5,896,500 in A.R.S. § 15-1670 lease-purchase appropriations, the \$3,000,000 Biomedical Research appropriation in the FY 2015 General Appropriation Act, and a one-time \$3,202,800 appropriation in section 131 of the FY 2018 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 University Collections Fund on June 30, 2017 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. (General Appropriation Act footnote)

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$5,896,500 from the General Fund in FY 2018 for the 2003 Research Infrastructure Lease-Purchase Payment line item. This amount funds the following adjustment:

Refinance Adjustment

The budget includes an increase of \$1,649,700 from the General Fund in FY 2018 to adjust from prior year savings associated with the refinancing of Certificates of Participation (COPs).

Laws 2003, Chapter 267 (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.

Due to subsequent refinancing, the FY 2017 Higher Education Budget Reconciliation Bill (Laws 2016, Chapter 130) amended A.R.S. § 15-1670 to revise the FY 2018 to FY 2031 research infrastructure appropriations to correspond to NAU's current debt service schedule.

Since this funding appears in A.R.S. § 15-1670, this funding does not appear in the FY 2018 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.

(Please see the Long-Term Budget Impacts narrative below and the 2003 Research Infrastructure narrative in the ABOR section for more information.)

Arizona Financial Aid Trust

The budget includes \$1,326,000 from the General Fund in FY 2018 for the Arizona Financial Aid Trust (AFAT). This amount funds the following adjustments:

AFAT Reallocation

The budget includes an increase of \$1,326,000 from the General Fund in FY 2018 for the reallocation of NAU's share of AFAT monies from ABOR to the university. The ABOR budget is reduced by the same amount in FY 2018. *(Please see the Student Financial Assistance narrative in the ABOR section for more information.)*

Biomedical Research

The budget includes \$3,000,000 from the General Fund in FY 2018 for the Biomedical Research line item. This amount is unchanged from FY 2017.

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.)*

NAU - Yuma

The budget includes \$3,069,200 and 29.4 FTE Positions from the General Fund in FY 2018 for NAU-Yuma. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$1,900 from the General Fund in FY 2018 for statewide adjustments.

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

One-Time Funding

The budget includes \$3,202,800 from the General Fund in FY 2018 for the One-Time Funding line item. This amount funds the following adjustments:

Continued One-Time Funding

The budget includes a decrease of \$(797,200) from the General Fund in FY 2018 for the adjustment of one-time funding for capital improvements or operating expenditures. The FY 2017 budget appropriated \$4,000,000 from the General Fund to NAU in FY 2017 that was designated as one-time funding. The FY 2018 budget includes \$3,202,800 from the General Fund that is designated as one-time funding.

Teacher Training

The budget includes \$2,290,600 and 7.5 FTE Positions from the General Fund in FY 2018 for Teacher Training. These amounts are unchanged from FY 2017.

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

This section includes information on the following topics:

- Summary
- Long-Term Budget Impacts
- University Collections and FTE Positions Adjustments

Summary

NAU's FY 2018 General Fund budget is \$108,612,800. Of this amount:

- \$96,396,200 is included in NAU's individual section of the FY 2018 General Appropriation Act.
- \$117,300 is part of statewide adjustments.
- \$5,896,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$3,000,000 was appropriated in Section 132 of the FY 2015 General Appropriation Act for Biomedical Research.
- \$3,202,800 is a one-time appropriation in section 131 of the FY 2018 General Appropriation Act for capital improvements or operating expenditures.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, NAU's General Fund costs are projected to increase by \$1,317,500 in FY 2019 above FY 2018, and \$93,700 in FY 2020 above FY 2019.

These estimates include NAU's annual appropriations for the University Capital Investment Program, as established in A.R.S. § 15-1671 by Laws 2017, Chapter 328. The appropriations will begin in FY 2019 at \$4,520,900 and will grow by 2% or inflation each year thereafter through FY 2043. *(Please see the 2017 University Capital Investment Program narrative in the Capital Outlay - ABOR Building System section for more information.)*

The estimates for FY 2019 are decreased by \$(3,202,800) for the removal of one-time funding. The estimates also include a \$(300) decrease in the level of state appropriations required to cover refinanced Research Infrastructure debt service costs in FY 2019 compared to FY 2018 and a \$3,300 increase in FY 2020 above FY 2019. *(Please see the 2003 Research Infrastructure Refinancing narrative in the ABOR section for more information.)*

University Collections and FTE Positions Adjustments

The FY 2017 General Appropriation Act (Laws 2016, Chapter 117) appropriated \$145,286,600 from the University Collections Fund to NAU in FY 2017. 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 2017 to the Joint Legislative Budget Committee in June 2016, and NAU incorporated the adjusted FY 2017 amounts as part of their FY 2018 budget submission. Accordingly, the estimated FY 2017 amount has been adjusted upward by \$1,996,700 to \$147,283,300.

The FY 2018 University Collections Fund amount is further increased by \$78,800 for statewide adjustments to \$147,362,100.

The 2017 FTE Position count has also been adjusted. Laws 2016, Chapter 117 originally appropriated 2,249.7 FTE Positions in FY 2017 for NAU. The General Fund accounted for 866.1 FTE Positions and the University Collections Fund accounted for the remaining 1,383.6 FTE Positions. The estimated number of FY 2017 FTE Positions has been adjusted by 11.0 to 2,260.7. The General Fund

accounts for 872.3 FTE Positions and the University Collections Fund accounts for the remaining 1,388.4 FTE Positions.