

Northern Arizona University

| | FY 2021 ACTUAL | FY 2022 ESTIMATE | FY 2023 APPROVED |
|---|--------------------|-----------------------------------|-------------------------------------|
| OPERATING BUDGET | | | |
| <i>Full Time Equivalent Positions</i> | 2,325.7 | 2,619.3 | 2,619.3 ^{1/} |
| Personal Services | 143,432,700 | 147,524,600 | 147,524,600 |
| Employee Related Expenditures | 47,949,500 | 49,027,000 | 50,097,600 |
| Professional and Outside Services | 9,810,800 | 14,841,400 | 14,841,400 |
| Travel - In State | 28,800 | 398,000 | 398,000 |
| Travel - Out of State | 9,200 | 600 | 600 |
| Other Operating Expenditures | 27,571,100 | 38,326,100 | 39,419,900 |
| Equipment | 155,500 | 83,000 | 83,000 |
| OPERATING SUBTOTAL | 228,957,600 | 250,200,700 | 252,365,100 ^{2/} |
| SPECIAL LINE ITEMS | | | |
| 2003 Research Infrastructure Lease-Purchase Payment | 4,879,500 | 5,039,800 | 5,301,500 ^{3/} |
| 2017 Capital Infrastructure Funding | 4,692,900 | 4,750,600 | 4,845,600 ^{4/} |
| Arizona Financial Aid Trust | 1,326,000 | 1,326,000 | 1,326,000 |
| Biomedical Research Funding | 3,000,000 | 3,000,000 | 3,000,000 ^{5/} |
| Economic Policy Institute | 500,300 | 750,300 | 865,300 ^{6/} |
| One-Time Funding | 0 | 0 | 26,000,000 ^{7/} |
| NAU - Yuma | 3,076,600 | 3,075,600 | 3,119,800 |
| Teacher Training | 2,293,000 | 2,292,700 | 2,292,700 ^{8/} |
| AGENCY TOTAL | 248,725,900 | 270,435,700 | 299,116,000 ^{9/10/} |
| FUND SOURCES | | | |
| General Fund | 109,804,600 | 135,452,400 | 164,151,500 ^{11/12/13/} |
| <u>Other Appropriated Funds</u> | | | |
| University Collections Fund | 138,921,300 | 134,983,300 | 134,964,500 ^{14/} |
| SUBTOTAL - Other Appropriated Funds | 138,921,300 | 134,983,300 | 134,964,500 |
| SUBTOTAL - Appropriated Funds | 248,725,900 | 270,435,700 ^{15/} | 299,116,000 |
| Other Non-Appropriated Funds | 304,132,400 | 324,920,700 | 353,401,000 |
| Federal Funds | 129,194,200 | 134,986,900 | 136,247,600 |
| TOTAL - ALL SOURCES | 682,052,500 | 730,343,300 | 788,764,600 |

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.

FOOTNOTES

- ^{1/} Includes 37.8 GF FTE Positions funded from Special Line Items in FY 2023.
- ^{2/} Of the amount appropriated to the northern Arizona university operating budget, \$10,100,000 is onetime funding. On or before September 1, 2022, northern Arizona university shall provide a detailed expenditure plan to the joint legislative budget committee that includes a description of the intended purposes and the estimated costs of each expenditure. (General Appropriation Act footnote)
- ^{3/} A.R.S. § 15-1670 appropriates \$5,301,500 to NAU from the General Fund in FY 2023 to finance lease-purchase payments for research infrastructure projects.
- ^{4/} A.R.S. § 15-1671 appropriates \$4,845,600 to NAU from the General Fund in FY 2023 for capital infrastructure projects.
- ^{5/} The biomedical research funding shall be distributed to a nonprofit medical research foundation in this state that collaborates with universities, hospitals and biotechnology and health research centers. A nonprofit foundation that receives monies shall submit an expenditure and performance report to northern Arizona university. The university shall transmit the report to the joint legislative budget committee and the director of the governor's office of strategic planning and budgeting on or before February 1, 2023. The report must include at least the following:
 1. The type and amount of expenditures from all state sources of monies, including the amount leveraged for local, state, federal, and private grants.

2. A description of each grant received as well as the percentage and locations of positions funded solely or partly by state monies and the nonprofit foundation's projects with which these positions are associated.
 3. Performance measures, including:
 - (a) Outcomes that are specifically related to the use of state monies.
 - (b) Progress that has been made toward achieving each outcome, including activities, resources and other evidence of progress.
 - (c) Reportable inventions or discoveries related to each outcome.
 - (d) Publications, presentations and narratives related to each outcome and how the expenditures from all state sources of monies that the nonprofit foundation received have benefited this state. (General Appropriation Act footnote)
- 6/ The appropriated amount for the economic policy institute line item may not supplant any existing state funding or private or external donations to the institute or to the university. The appropriated monies and all private and external donations to the institute, including any remaining balances from prior fiscal years, shall be deposited in a separate account, shall be used only for the direct operation of the institute and may not be used for indirect costs of the university. On or before October 1, 2022, the institute shall submit to the president of the senate, the speaker of the house of representatives, the chairpersons of the senate education committee and the house of representatives education committee and the director of the joint legislative budget committee a report that includes at least the following information for the institute:
1. The total amount of funding received from all sources.
 2. A description of the faculty positions and courses offered.
 3. The total undergraduate and graduate student participation.
 4. Significant community events, initiatives or publications.
- The chairpersons of the senate education committee and the house of representatives education committee may request the director of the institute to appear before the committees to report on the institute's annual achievements. (General Appropriation Act footnote)
- 7/ A. The sum of \$80,000,000 is appropriated from the state general fund in fiscal year 2022-2023 to Arizona state university and northern Arizona university for capital improvements and operating expenditures as follows:
1. Arizona state university \$54,000,000
 2. Northern Arizona university \$26,000,000
- B. Of the amount appropriated for northern Arizona university in subsection A of this section, \$5,000,000 shall be used to expand program offerings on the northern Arizona university campus located in Yuma.
- C. On or before August 1, 2022, each university shall report the intended use of the monies to the joint legislative budget committee.
- D. Before spending 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 section 41-1252, Arizona Revised Statutes. (General Appropriation Act footnote)
- 8/ 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)
- 9/ 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)
- 10/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 11/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 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/ The FY 2023 General Fund budget is \$164,151,500. This amount would include \$126,870,700 in NAU's individual section of the FY 2023 General Appropriation Act, \$26,000,000 in section 117 of the FY 2023 General Appropriation Act for one-time operating and capital funding, \$5,301,500 in A.R.S. § 15-1670 lease-purchase appropriations, \$4,845,600 in A.R.S. § 15-1671 capital infrastructure appropriations, and \$1,133,700 for statewide adjustments.
- 14/ Any unencumbered balances remaining in the university collections fund on June 30, 2022 and all collections received by the university during the fiscal year 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 spent for supplemental life insurance or supplemental retirement. (General Appropriation Act footnote)

15/ In addition to the appropriated amounts reported in the table, the FY 2021 General Appropriation Act included \$7,798,100 in FY 2022 for the occurrence of a 27th pay period. Of this amount, \$2,939,500 is from the General Fund and \$4,858,600 is from the University Collections Fund.

Operating Budget

The budget includes \$252,365,100 and 2,581.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

| | FY 2023 |
|-----------------------------|----------------|
| General Fund | \$117,400,600 |
| University Collections Fund | 134,964,500 |

FY 2023 adjustments are as follows:

Remove FY 2022 One-Time Operating Funding

The budget includes a decrease of \$(9,006,300) from the General Fund in FY 2023 to remove one-time operating funding.

FY 2023 One-Time Operating Funding

The budget includes an increase of \$10,100,000 from the General Fund in FY 2023 for one-time operating funding. The budget requires NAU to submit a detailed expenditure plan to JLBC by September 1, 2022 that includes a description of the intended purposes and the estimated costs of each expenditure. The 3-year budget plan also includes \$10,100,000 in one-time funding in FY 2024 and FY 2025.

Statewide Adjustments

The budget includes an increase of \$1,070,700 in FY 2023 for statewide adjustments. This amount consists of:

| | |
|-----------------------------|-----------|
| General Fund | 1,089,500 |
| University Collections Fund | (18,800) |

(Please see the Agency Detail and Allocations section.)

Student enrollment counts and tuition and fee levels for students will determine the amount of university tuition and fee collections. The University Collections Fund amount will ultimately be adjusted to reflect these revenue amounts. *(Please see the NAU Other issues and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The budget includes \$5,301,500 from the General Fund in FY 2023 for the 2003 Research Infrastructure Lease-Purchase Payment line item. FY 2023 adjustments are as follows:

Refinance Adjustment

The budget includes an increase of \$261,700 from the General Fund in FY 2023 to adjust the Certificates of Participation (COPs) payment.

A.R.S. § 15-1670 appropriates an annual amount 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.

Since this funding appears in A.R.S. § 15-1670, this funding would not appear in the FY 2023 General Appropriation Act. In total, the universities have issued \$482,500,000 in COPs for research infrastructure projects. Of this amount, NAU has issued \$42,210,000 in COPs.

(Please see the ABOR section for more information.)

2017 Capital Infrastructure Funding

The budget includes \$4,845,600 from the General Fund in FY 2023 for the 2017 Capital Infrastructure Funding line item. FY 2023 adjustments are as follows:

Inflation Adjustment

The budget includes an increase of \$95,000 from the General Fund in FY 2023 for a 2.0% increase in capital infrastructure funding.

A.R.S. § 15-1671 provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. Since this funding appears in A.R.S. § 15-1671, this funding would not appear in the FY 2023 General Appropriation Act.

A.R.S. § 15-1670 increases the appropriation annually by the lesser of 2% or inflation, as measured by the change in the GDP deflator from the second quarter of the second preceding calendar year to the second quarter of the calendar year immediately preceding the fiscal year (in the example of FY 2023, from the second quarter of CY 2020 to the second quarter of CY 2021). *(Please see the Lottery Bonds and Capital Infrastructure Funding Program Summary on the JLBC website.)*

Arizona Financial Aid Trust

The budget includes \$1,326,000 from the General Fund in FY 2023 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2022. *(Please see the ABOR section for more information.)*

Biomedical Research Funding

The budget includes \$3,000,000 from the General Fund in FY 2023 for the Biomedical Research Funding line item. This amount is unchanged from FY 2022.

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

Economic Policy Institute

The budget includes \$865,300 from the General Fund in FY 2023 for the Economic Policy Institute line item. FY 2023 adjustments are as follows:

Ongoing Funding

The budget includes an increase of \$365,000 from the General Fund in FY 2023 to provide ongoing support for the Economic Policy Institute.

Remove One-Time Funding

The budget includes a decrease of \$(250,000) from the General Fund in FY 2023 to remove one-time funding for the Economic Policy Institute.

The funding for the Economic Policy Institute is used to support the institute's mission of rural economic development, financial literacy, and entrepreneurialism.

One-Time Funding

The budget includes \$26,000,000 from the General Fund in FY 2023 for one-time funding. FY 2023 adjustments are as follows:

One-Time Operating and Capital Funding

The budget includes an increase of \$26,000,000 from the General Fund in FY 2023 for one-time operating and capital funding. Of this amount, at least \$5,000,000 must be used to expand NAU-Yuma programs.

The budget requires NAU to submit a report on the intended use of the monies to JLBC on or before August 1, 2022. Before spending any monies for capital improvements, NAU is required to submit the scope, purpose and estimated cost to JCCR for review.

NAU - Yuma

The budget includes \$3,119,800 and 37.8 FTE Positions from the General Fund in FY 2023 for NAU-Yuma. FY 2023 adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$44,200 from the General Fund in FY 2023 for statewide adjustments.

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

Teacher Training

The budget includes \$2,292,700 from the General Fund in FY 2023 for Teacher Training. This amount is unchanged from FY 2022.

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 2023 General Fund budget is \$164,151,500. Of this amount:

- \$126,870,700 is included in NAU's individual section of the FY 2023 General Appropriation Act.
- \$26,000,000 is a one-time appropriation in section 117 of the FY 2023 General Appropriation Act for capital improvements and operating expenditures.
- \$5,301,500 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,845,600 is appropriated in A.R.S. § 15-1671 for new university research facilities, building renewal, or other capital construction projects.

- \$1,133,700 is for statewide adjustments.

FTE Positions and the University Collections Fund accounts for the remaining 1,392.7 FTE Positions.

Long-Term Budget Impacts

As part of the budget's 3-year spending plan, NAU's General Fund costs are projected to decrease by \$(25,901,700) in FY 2024 below FY 2023 and decrease by \$(318,500) in FY 2025 below FY 2024.

These estimates are based on:

- A decrease of \$(26,000,000) in FY 2024 to remove one-time operating and capital funding.
- An increase of \$1,400 in FY 2024 and a decrease of \$(417,400) in FY 2025 to adjust for university debt service costs.
- Increases of \$96,900 in FY 2024 and \$98,900 in FY 2025 to increase the university's annual Capital Infrastructure Funding appropriation.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2022 General Appropriation Act appropriated \$139,466,800 from the University Collections Fund to NAU. 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 differ from the appropriated amount, the annual General Appropriation Act includes a footnote permitting the universities to expend those amounts as well as 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 (or being below) the appropriated amount. The Universities reported the adjustments to the University Collections Fund for FY 2022 to the Joint Legislative Budget Committee in June 2021, and NAU incorporated the adjusted FY 2022 amounts as part of their FY 2023 budget submission. Accordingly, the estimated FY 2022 amount has been adjusted downward by \$(4,483,500) to \$134,983,300.

The FY 2022 FTE Position count has also been adjusted. The FY 2022 General Appropriation Act originally appropriated 2,653.5 FTE Positions in FY 2022 for NAU. The General Fund accounted for 1,064.1 FTE Positions and the University Collections Fund accounted for the remaining 1,589.4 FTE Positions. The estimated number of FY 2022 FTE Positions has been adjusted downward by (34.2) to 2,619.3. The General Fund accounts for 1,226.6