

# Northern Arizona University

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	2,325.7	2,619.3	2,619.3 <sup>1/</sup>
Personal Services	143,432,700	147,524,600	147,524,600
Employee Related Expenditures	47,949,500	49,027,000	49,027,000
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	29,319,800
Equipment	155,500	83,000	83,000
<b>OPERATING SUBTOTAL</b>	<b>228,957,600</b>	<b>250,200,700</b>	<b>241,194,400</b>
<b>SPECIAL LINE ITEMS</b>			
2003 Research Infrastructure Lease-Purchase Payment	4,879,500	5,039,800	5,301,500 <sup>2/</sup>
2017 Capital Infrastructure Funding	4,692,900	4,750,600	4,845,600 <sup>3/</sup>
Arizona Financial Aid Trust	1,326,000	1,326,000	1,326,000
Biomedical Research	3,000,000	3,000,000	3,000,000 <sup>4/</sup>
Economic Policy Institute	500,300	750,300	500,300 <sup>5/</sup>
NAU - Yuma	3,076,600	3,075,600	3,075,600
Teacher Training	2,293,000	2,292,700	2,292,700 <sup>6/</sup>
<b>AGENCY TOTAL</b>	<b>248,725,900</b>	<b>270,435,700</b>	<b>261,536,100 <sup>7/8/</sup></b>
<b>FUND SOURCES</b>			
General Fund	109,804,600	135,452,400	126,552,800 <sup>9/10/11/</sup>
<u>Other Appropriated Funds</u>			
University Collections Fund	138,921,300	134,983,300	134,983,300 <sup>12/</sup>
SUBTOTAL - Other Appropriated Funds	138,921,300	134,983,300	134,983,300
<b>SUBTOTAL - Appropriated Funds</b>	<b>248,725,900</b>	<b>270,435,700 <sup>13/</sup></b>	<b>261,536,100</b>
Other Non-Appropriated Funds	304,132,400	324,920,700	353,401,000
Federal Funds	129,194,200	134,986,900	136,247,600
<b>TOTAL - ALL SOURCES</b>	<b>682,052,500</b>	<b>730,343,300</b>	<b>751,184,700</b>

**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

- <sup>1/</sup> Includes 37.8 GF FTE Positions funded from Special Line Items in FY 2023.
- <sup>2/</sup> 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.
- <sup>3/</sup> A.R.S. § 15-1671 appropriates \$4,845,600 to NAU from the General Fund in FY 2023 for capital infrastructure projects.
- <sup>4/</sup> 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)

- 5/ 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)
- 6/ 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)
- 7/ 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)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- 9/ The state general fund appropriation may not be used for alumni association funding. (General Appropriation Act footnote)
- 10/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 11/ The FY 2023 General Fund Baseline is \$126,552,800. This amount would include \$116,405,700 in NAU's individual section of the FY 2023 General Appropriation Act, \$5,301,500 in A.R.S. § 15-1670 lease-purchase appropriations, and \$4,845,600 in A.R.S. § 15-1671 capital infrastructure appropriations.
- 12/ 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)
- 13/ 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 27<sup>th</sup> 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 Baseline includes \$241,194,400 and 2,581.5 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	<b>FY 2023</b>
General Fund	\$106,211,100
University Collections Fund	134,983,300

FY 2023 adjustments are as follows:

**Remove One-Time Operating Funding**

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

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 Baseline 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 Baseline 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 Baseline 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 Baseline 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 Baseline 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**

The Baseline includes \$3,000,000 from the General Fund in FY 2023 for the Biomedical Research 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 Baseline includes \$500,300 from the General Fund in FY 2023 for the Economic Policy Institute line item. FY 2023 adjustments are as follows:

#### **Remove One-Time Funding**

The Baseline 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.

### **NAU - Yuma**

The Baseline includes \$3,075,600 and 37.8 FTE Positions from the General Fund in FY 2023 for NAU-Yuma. These amounts are unchanged from FY 2022.

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

### **Teacher Training**

The Baseline 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 Baseline is \$126,552,800. Of this amount:

- \$116,405,700 would be included in NAU's individual section of the FY 2023 General Appropriation Act.
- \$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.

**Long-Term Budget Impacts**

As part of the Baseline's 3-year spending plan, NAU's General Fund costs are projected to increase by \$98,300 in FY 2024 above FY 2023 and decrease by \$(318,500) in FY 2025 below FY 2024.

These estimates are based on:

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

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
<b>Auxiliary Fund (UNI8906/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Sales revenues of substantially self-supporting university services.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	76,744,000	97,362,800
<b>Year-End Fund Balance</b>	37,828,100	37,850,600

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
<b>Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations and university local funds. NAU received a General Fund appropriation of \$4,520,900 starting in FY 2019, and this amount will annually increase by 2% or the rate of inflation, whichever is less, through FY 2043. The university must provide a 1:1 match of its own funds for any General Fund appropriations which are used to pay debt service.		
<b>Purpose of Fund:</b> To pay the cost of, or debt service on debt financing for, university capital projects. Systemwide, debt issuances that are paid by the universities' capital infrastructure funds may not cumulatively exceed \$1.0 billion in principal. <i>(Please see the Capital Outlay ABOR Building System narrative for more information).</i> Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Designated Fund - Other (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
<b>Funds Expended</b>	44,617,900	35,564,900
<b>Year-End Fund Balance</b>	43,840,500	64,113,300
<b>Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Retained tuition and fees.		
<b>Purpose of Fund:</b> To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs. Please see the University Collections Fund for more information on Appropriated tuition expenditures.		
<b>Funds Expended</b>	124,250,500	128,308,900
<b>Year-End Fund Balance</b>	27,222,800	23,821,900
<b>Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To support endowment operations and compensate designated beneficiaries.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	33,557,300	46,960,400
<b>Federal Grants (UNI8903/A.R.S. § 15-1666)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants and contracts.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the federal government.		
<b>Funds Expended</b>	122,016,800	123,236,900
<b>Year-End Fund Balance</b>	0	0
<b>Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote federally-sponsored research.		
<b>Funds Expended</b>	7,177,400	11,750,000
<b>Year-End Fund Balance</b>	21,836,300	25,341,300
<b>Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Non-federally-sponsored research programs.		
<b>Purpose of Fund:</b> To assist and promote non-federally-sponsored research.		
<b>Funds Expended</b>	7,827,200	12,857,900
<b>Year-End Fund Balance</b>	21,836,500	25,336,500

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
<b>Loan Fund (UNI8901/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal student loan program awards and interest collected on outstanding federal student loans.		
<b>Purpose of Fund:</b> To disburse awards from federal student loan programs, including any university match required, and to fund the costs of repayment programs. Expenditures displayed reflect costs of loan program administration and do not include awards to students.		
<b>Funds Expended</b>	365,700	100,000
<b>Year-End Fund Balance</b>	769,600	699,600
<b>Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants ( <i>please see the ABOR Summary of Funds</i> ), as well as a portion of financial aid trust fees assessed to students.		
<b>Purpose of Fund:</b> To support specific operating and research purposes as identified by the private or non-federal donating entities.		
<b>Funds Expended</b>	40,268,400	40,671,100
<b>Year-End Fund Balance</b>	15,176,200	15,176,000
<b>University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> University system revenues.		
<b>Purpose of Fund:</b> To pay annual debt service payments for the \$800,000,000 university Lottery bonding package. Lottery bond debt service is paid with no more than 80% Lottery revenues and at least 20% state university system revenues. ( <i>Please see the Capital Outlay ABOR Building System narrative for more information</i> ).		
<b>Funds Expended</b>	10,058,700	10,055,100
<b>Year-End Fund Balance</b>	0	0
<b>University Collections Fund (NAA1421/A.R.S. § 15-1626)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Tuition and registration fees.		
<b>Purpose of Fund:</b> To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
<b>Funds Expended</b>	138,921,300	134,983,300
<b>Year-End Fund Balance</b>	0	0