

Northern Arizona University

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	2,292.0	2,376.2	2,376.2 ^{1/}
Personal Services	149,338,200	155,496,100	155,496,100
Employee Related Expenditures	47,972,500	46,301,400	46,301,400
Professional and Outside Services	15,885,000	14,539,300	14,539,300
Travel - In State	249,600	455,400	455,400
Travel - Out of State	197,200	0	0
Other Operating Expenditures	36,017,600	30,600,600	30,600,600
Equipment	540,600	405,100	405,100
OPERATING SUBTOTAL	250,200,700	247,797,900	247,797,900 ^{2/}
SPECIAL LINE ITEMS			
2003 Research Infrastructure Lease-Purchase Payment	5,039,800	5,301,500	5,302,900 ^{3/}
2017 Capital Infrastructure Funding	4,750,600	4,845,600	4,942,500 ^{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	750,300	865,300	865,300 ^{6/}
One-Time Funding	0	26,000,000	0
NAU - Yuma	3,075,600	3,119,800	3,119,800
Teacher Training	2,292,700	2,292,700	2,292,700 ^{7/}
AGENCY TOTAL	270,435,700	294,548,800	268,647,100 ^{8/9/}
FUND SOURCES			
General Fund	135,452,400	164,151,500	138,249,800 ^{10/11/12}
<u>Other Appropriated Funds</u>			
University Collections Fund	134,983,300	130,397,300	130,397,300 ^{13/}
SUBTOTAL - Other Appropriated Funds	134,983,300	130,397,300	130,397,300
SUBTOTAL - Appropriated Funds	270,435,700	294,548,800	268,647,100
Other Non-Appropriated Funds	306,947,500	385,410,400	385,410,400
Federal Funds	147,989,800	149,469,900	149,469,900
TOTAL - ALL SOURCES	725,373,000	829,429,100	803,527,400

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 53.3 GF FTE Positions funded from Special Line Items in FY 2024.
- ^{2/} Of the amount appropriated to the Northern Arizona University operating budget, \$10,100,000 is onetime funding. On or before September 1, 2023, 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 \$5,302,900 to NAU from the General Fund in FY 2024 to finance lease-purchase payments for research infrastructure projects.
- ^{4/} A.R.S. § 15-1671 appropriates \$4,942,500 to NAU from the General Fund in FY 2024 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, 2024. 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, 2023, 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/ 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. (General Appropriation Act footnote)
- 11/ The increased state general fund appropriation from Laws 2014, chapter 18 may not be used for medical marijuana research. (General Appropriation Act footnote)
- 12/ The FY 2024 General Fund Baseline is \$138,249,800. This amount would include \$128,004,400 in NAU's individual section of the FY 2024 General Appropriation Act, \$5,302,900 in A.R.S. § 15-1670 lease-purchase appropriations, and \$4,942,500 in A.R.S. § 15-1671 capital infrastructure appropriation.
- 13/ Any unencumbered balances remaining in the university collections fund on June 30, 2023 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)

Operating Budget

The Baseline includes \$247,797,900 and 2,322.9 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	FY 2024
General Fund	\$117,400,600
University Collections Fund	130,397,300

These amounts are unchanged from FY 2023.

The FY 2023 budget included \$10,100,000 from the General Fund for one-time operating funding. NAU reported that these monies will be used to expand Allied and Behavioral Health programs in locations across the state, fund technology infrastructure projects on the Phoenix biosciences campus, and support expansion of the School of Hospitality and Restaurant Management.

The 3-year budget plan also includes \$10,100,000 in one-time funding in FY 2024 and FY 2025. These monies will be removed in FY 2026.

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 Section and ABOR for more information.)*

2003 Research Infrastructure Lease-Purchase Payment

The Baseline includes \$5,302,900 from the General Fund in FY 2024 for the 2003 Research Infrastructure Lease-Purchase Payment line item. Adjustments are as follows:

Refinance Adjustment

The Baseline includes an increase of \$1,400 from the General Fund in FY 2024 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 2024 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 4,942,500 from the General Fund in FY 2024 for the 2017 Capital Infrastructure Funding line item. Adjustments are as follows:

Inflation Adjustment

The Baseline includes an increase of \$96,900 from the General Fund in FY 2024 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 2024 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 2024, from the second quarter of CY 2021 to the second quarter of CY 2022). *(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 2024 for the Arizona Financial Aid Trust (AFAT). This amount is unchanged from FY 2023. *(Please see the ABOR section for more information.)*

Biomedical Research Funding

The Baseline includes \$3,000,000 from the General Fund in FY 2024 for the Biomedical Research Funding line item. This amount is unchanged from FY 2023.

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 \$865,300 from the General Fund in FY 2024 for the Economic Policy Institute line item. This amount is unchanged from FY 2023.

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 Baseline includes no funding in FY 2024 for one-time funding. Adjustments are as follows:

Remove One-Time Operating and Capital Funding

The Baseline includes a decrease of \$(26,000,000) from the General Fund in FY 2024 to remove one-time operating and capital funding. Of the amount appropriated, at least \$5,000,000 was required to be used to expand the NAU-Yuma program. NAU reported that these monies will be used to address campuswide deferred maintenance projects, support the university's

New Economy Initiatives, and expanding program offerings in Yuma.

NAU - Yuma

The Baseline includes \$3,119,800 and 53.3 FTE Positions from the General Fund in FY 2024 for NAU-Yuma. These amounts are unchanged from FY 2023.

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 2024 for Teacher Training. This amount is unchanged from FY 2023.

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 2024 General Fund Baseline is \$138,249,800. Of this amount:

- \$128,004,400 is included in NAU's individual section of the FY 2024 General Appropriation Act.
- \$5,302,900 is appropriated in A.R.S. § 15-1670 for a research infrastructure lease-purchase payment.
- \$4,942,500 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 decrease by \$(318,500) in FY 2025 below FY 2024 and decrease by \$(10,000,200) in FY 2026 below FY 2025.

These estimates are based on:

- A decrease of \$(417,400) in FY 2025 and a decrease of \$(1,000) in FY 2026 to adjust for university debt service costs.
- Increases of \$98,900 in FY 2025 and \$100,800 in FY 2026 to increase the university's annual Capital Infrastructure Funding appropriation.
- A \$(10,100,000) decrease in FY 2026 to remove one-time operating funding.

University Collections and FTE Positions Adjustments

Including statewide adjustments, the FY 2023 General Appropriation Act appropriated \$134,964,500 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 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 2023 to the Joint Legislative Budget Committee in June 2022, and NAU incorporated the adjusted FY 2023 amounts as part of their FY 2024 budget submission. Accordingly, the estimated FY 2023 amount has been adjusted downward by \$(4,567,200) to \$130,397,300.

The FY 2023 FTE Position count has also been adjusted. The FY 2023 General Appropriation Act originally appropriated 2,619.3 FTE Positions in FY 2023 for NAU. The General Fund accounted for 1,226.6 FTE Positions and the University Collections Fund accounted for the remaining 1,392.7 Positions. The estimated number of FY 2023 FTE Positions has been adjusted downward by (243.1) to 2,376.2. The General Fund accounts for 1,153.8 FTE Positions and the University Collections Fund accounts for the remaining 1,222.4 FTE Positions.

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Auxiliary Fund (UNI8906/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Sales revenues of substantially self-supporting university services.		
Purpose of Fund: 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.		
Funds Expended	96,206,300	107,232,600
Year-End Fund Balance	6,850,800	6,142,300
Capital Infrastructure Fund - NAU (UNI3002/A.R.S. § 15-1671)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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. (Please see the Capital Outlay ABOR Building System narrative for more information). Expenditures are not displayed to avoid double counting of General Fund appropriations and university system revenues.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Designated Fund - Other (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained summer session fees, student aid administrative allowances, and unrestricted gifts and grants.		
Purpose of Fund: To provide and administer student financial aid, to pay debt service on university bonds, and to run summer and winter session programs.		
Funds Expended	51,051,400	100,244,300
Year-End Fund Balance	0	408,500
Designated Fund - Tuition and Fees (UNI8905/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Retained tuition and fees.		
Purpose of Fund: 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.		
Funds Expended	106,957,400	123,770,500
Year-End Fund Balance	1,883,400	1,477,600
Endowment and Life Income Fund (UNI8904/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: To support endowment operations and compensate designated beneficiaries.		
Funds Expended	0	0
Year-End Fund Balance	37,053,500	35,053,500
Federal Grants (UNI8903/A.R.S. § 15-1666)		Federal Funds
Source of Revenue: Federal grants and contracts.		
Purpose of Fund: To support specific operating and research purposes as identified by the federal government.		
Funds Expended	147,989,800	149,469,900
Year-End Fund Balance	13,417,900	13,417,900
Federal Indirect Cost Recovery Fund (UNI8902/A.R.S. § 15-1601)		Federal Funds
Source of Revenue: Federally-sponsored research programs.		
Purpose of Fund: To assist and promote federally-sponsored research.		
Funds Expended	0	0
Year-End Fund Balance	19,021,800	13,607,500

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
Indirect Cost Recovery Fund (Non-Federal) (UNI8900/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Non-federally-sponsored research programs.		
Purpose of Fund: To assist and promote non-federally-sponsored research.		
Funds Expended	15,728,400	18,466,500
Year-End Fund Balance	4,750,600	14,346,800
Loan Fund (UNI8901/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Federal student loan program awards and interest collected on outstanding federal student loans.		
Purpose of Fund: 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.		
Funds Expended	0	0
Year-End Fund Balance	700,000	650,000
Restricted Fund (Excluding Federal Funds) (UNI8907/A.R.S. § 15-1601)		Non-Appropriated
Source of Revenue: Private and non-federal grants, including non-appropriated Technology and Research Initiative Fund grants (please see the ABOR Summary of Funds), as well as a portion of financial aid trust fees assessed to students.		
Purpose of Fund: To support specific operating and research purposes as identified by the private or non-federal donating entities.		
Funds Expended	26,948,900	25,642,600
Year-End Fund Balance	27,129,600	27,129,600
University Capital Improvement Lease-to-Own and Bond Fund (BRA3042/A.R.S. § 15-1682.03)		Non-Appropriated
Source of Revenue: University system revenues.		
Purpose of Fund: 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. (Please see the Capital Outlay ABOR Building System narrative for more information).		
Funds Expended	10,055,100	10,053,900
Year-End Fund Balance	0	0
University Collections Fund (NAA1421/A.R.S. § 15-1626)		Appropriated
Source of Revenue: Tuition and registration fees.		
Purpose of Fund: To operate the university. Please see the Designated Fund - Tuition and Fees for more information on Non-Appropriated tuition expenditures.		
Funds Expended	134,983,300	130,397,300
Year-End Fund Balance	0	0