FY18 Annual Budget Submission

Introduction

The annual budget process provides an opportunity to assess NAU's operations and is a key element of the overall business planning process, in conjunction with the recently completed tuition setting process and the upcoming Operational and Financial Review process. Each component is a key operational decision point where strategic investments and reallocations are considered that support the strategic direction of NAU, and

NAU's FY18 revenue budget also includes an estimate of $3.65 million in general purpose funds from Proposition 123 distributions. These funds were approved by voters in May 2016, and are distributed from land trust funds. While the funds were originally reported and anticipated to be unrestricted, current statute defines the distribution of land trust funds as restricted, but permits the Board of Regents to waive the restriction as appropriate. The request for such a waiver is included in the system materials to be considered in the adoption of the budget.

Enrollment

Enrollment assumptions are consistent with those noted during the tuition setting cycle. The projections included an 814 FTE increase (+2.8%) for Fall 2017 with the majority of that growth coming from undergraduate students, 57% of the growth coming from resident students and 19% of the growth coming from online students. NAU continues to see the majority of its non-resident students come from WUE states and these students pay 1.5 times the resident tuition rate rather than a full non-resident rate. Using this FTE growth assumption in conjunction with the approved state appropriation and tuition and fees projection, NAU's funding on a per FTE basis will be flat compared to FY17. Removing the $3.2M one-time funding appropriation, NAU's per student funding decreases 9% from this year to $11,582, which is down approximately $2,200 from 2008 levels and illustrates the importance that an ongoing commitment to a university funding model will have on NAU's future finances.

To support this projected enrollment growth, NAU's planned financial aid strategy will result in an increase in the projected scholarship allowance percentage of 3 percentage points from the budgeted FY17 amount. The overall strategy is similar to previous years with only slight modifications to the scholarship amounts.

addition to the adoption of the best practices and emerging technologies that support our university retention action plans. The development of NAU's Honors College is an initiative that will support NAU's enrollment growth and the retention of high achieving students. Investments of incremental general purpose funds are estimated at $3.2 million.

Programmatic investments in High Demand Degree Growth: NAU's investments include planned investments in the continued build out of several programs that address increasing Arizona's workforce development needs in high demand fields such as health case and STEM. These programs range from Allied Health Care programs with the second cohort in the Master's in Athletic Training degree program at the Phoenix Biomedical Campus beginning this fall. Investments will also be made to build out NAU's PhD programs in Astronomy, Informatics and Bioengineering that broaden NAU's programs in the high degree STEM fields. Investments of incremental general purpose funds are estimated at $1.5 million.

Research Growth: As noted in the university's OFR, NAU's initiative to reach the top 200 in Research Expenditures and meet the 2025 Enterprise metric for research expenditures involves recruiting established researchers who build upon the university's traditional research strengths and develop additional strategic strengths. This effort continues for this upcoming year with investments made in several key hires and the accompanying start-up expenses in the areas of microbiology, informatics, astronomy, and health equities research. These efforts in conjunction with the recent reorganization of the Office of Sponsored Projects and investments for graduate stipend adjustments to attract and retain graduate students will also impact the quality and breadth of NAU's research programs. Investments of incremental general purpose funds are estimated at $2.5 million.

Retention and Recruitment of faculty and staff: Investments in NAU's faculty and staff is an important university initiative. Our success in highly dependent on our continued ability to attract and retain high quality faculty and staff and investing in this talent through strategic and meritorious adjustments is critical. To fund permanent salary adjustments, ongoing reviews of resource allocations are made throughout the university to identify efficiencies that may then be reinvested in our faculty and staff. Investments of incremental general purpose funds are estimated at $3.5 million.

Online Education Investment: A key driver of NAU's future enrollment growth projections will come from the recruitment and retention of students in online programs. As outlined during the tuition setting process, NAU will transition to a new online pricing model in 2018 where graduate and undergraduate students will have one online rate based on credit hours regardless of residency. This aligns NAU with the online pricing practices of other institutions in Arizona and across the country. NAU will launch its sixth Personalized Learning degree program in the high demand field of computer information technology in FY18 with the addition of its first master's level competency based program. NAU also continues to drive growth in targeted online programs that will contribute to high demand degree and graduate enrollment metrics. Investments of incremental general purpose funds are estimated at $1 million.

Facility and Technology Infrastructure

ANNUAL BUDGET

FY 2018 ANNUAL BUDGET

STATE EXPENDITURE AUTHORITY BY APPROPRIATION CAMPUS *($ thousands)*

LOCAL COLLECTIONS

LOCAL COLLECTIONS (Cont.)