

FY26 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 tuition setting process and Operational and Financial Review process. Each component is a key operational decision point where strategic investments and resource allocations are considered to ensure that they support the strategic direction of NAU, and in turn, support our students, faculty, and staff.

As NAU continues to operationalize, *NAU Elevating Excellence*, NAU remains guided by our bold vision: To be the nation's preeminent engine of opportunity, vehicle of economic mobility, and driver of social impact in Arizona and beyond. Resources to invest in faculty and staff and the related physical and technological infrastructure will impact NAU's success in delivering upon that vision and mission and provide a framework for the FY26 budget, a budget that aligns with the recently released five-year budget forecast covering the period of FY26 through FY30.

Overview

NAU submits the FY26 Annual Budget that projects a net position change of zero. This net position change reflects the projected financial statement view. On a cash, or annual budgeting view, the budget submitted is balanced. The monthly days cash on hand metric is expected to be 167 days based on the projected expenditure level for this upcoming year. This reflects a decrease from the anticipated FY25 monthly days cash on hand metric of 172 days and keeps NAU within the board approved financial liquidity range and well positioned in terms of financial liquidity. NAU remains committed to monitoring the impacts that both revenue and spending has on its balance sheet, and in turn, its credit ratings.

Revenue

NAU projects revenue in FY26 to decrease 2% compared to the FY25 revenue budget and a decrease of 5% compared to expected 2025 actual results. Positive changes across several revenue categories partially offset a decline in grants and contracts due to the uncertainty of Federal research funding.

Net tuition and fees and state appropriations comprise approximately 48% of NAU's budgeted FY26 revenue sources and are the primary funding source for the instruction and support for NAU's students. A slight decrease in net tuition and fees revenue of (.3%) is projected in FY26 compared to the FY25 projection even as tuition and fee revenue on a per student basis is projected to increase next year by 2.6%. The FY26 state appropriation is projected to decrease due to removal of the limited term, three-year state appropriation funding of \$10.1 million; an amount not offset by the \$4.1 million increase associated with the restoration funding included in the Governor's FY26 Executive Budget proposal. The FY26 budget numbers are net of the continuation of the \$3.0 million appropriation which is considered a pass-through appropriation to TGEN.

NAU expects several of its other revenue categories to see improvement in the upcoming fiscal year. *Auxiliary revenue* is projected to increase by 3% compared to the FY25 budget and by 4% over expected FY25 results with continues strong student demand for on campus university

housing and more meal plans purchased as the primary drivers. Revenue from *TRIF funding*, exclusive of one-time awards, is expected to maintain levels. NAU's revenue from *Grants and contracts* revenue is anticipated to decrease from the FY25 projected results reflective of evolving Federal priorities. Increased campus activities, including Road Scholar program activities, along with investment income associated with a slower decrease in interest rates will maintain the *Other Revenue* category at roughly the same projected FY25 levels. *Private/philanthropic gift revenue* is expected to increase from FY25 projected levels as efforts are continued to diversify the university's revenue stream and secure discretionary funding that will provide greater flexibility and operational impact. Further, NAU will continue to pursue opportunities for new and sustainable funding to further build upon this year's investments and help spur additional activity in conjunction with the *NAU Elevating Excellence* Strategic Plan. NAU's revenue generation development efforts this year focused on identifying key areas for development including increasing facility usage to generate incremental revenue and identifying new opportunities for educational programming.

Proposition 123 distributions approved by the Board at its February 2018 meeting have expired at the end of FY25. NAU received approximately \$0.7 million from Proposition 123 to be used as general-purpose funds and those funds are not included in this budget plan.

Enrollment

Enrollment assumptions for this upcoming year reflect an expected change in total enrollment of -907 FTE for Fall 2025. The change in total enrollment is partially driven by sizeable domestic and international graduating classes this year. Continuing student enrollment is also impacted by reduced Fall 2024 and Spring 2025 incoming classes resulting from Federal delays in FAFSA, increased domestic and international competition, and demographic shifts in out-of-state markets. Similar impacts of demographic shifts and external factors are anticipated to continue for Fall 2025.

Major Initiatives/Strategic Investments

NAU's initiatives for FY26 focus on actions that will guide our work as we build the foundation for long-term sustainability as reflected in the foundation in the five-year budget forecast project. NAU will align expenditures to the projected revenue base while pursuing targeted investments that will propel, and be guided by, NAU's *Elevating Excellence* roadmap in the following seven areas:

- Academic Excellence
- Student Success
- Commitment to Indigenous Peoples
- Impactful Scholarship
- Mission-Driven Faculty and Staff
- Community Engagement
- Sustainable Stewardship of Resources

Strategic Priority Investment Areas

Investments in NAU Faculty, Staff and Students: Investment in NAU's faculty, staff and students is an important university initiative. Our success is 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 and increasing health insurance costs, ongoing review of resource allocations are made throughout the university to identify efficiencies that can then be reinvested in our faculty and staff. With the goal of reaching the minimum 10% increase for faculty and staff salaries over a three-year time frame achieved as of July 1st, 2025 through the announced 2.5% increase, the University Budget Advisory Board will shift to reviewing strategies on future year personnel investments in conjunction with resource levels. NAU's recent investments in the lowest tier wages for faculty and staff and student wages complement the merit-based program and have certainly contributed to higher retention rates in faculty and staff over the past several years. Investments of incremental recurring general-purpose funds are estimated at \$5.0 million.

Investments in Infrastructure and Technology: Investments in technology continue to be a primary focus of NAU's strategy with cyber security enhancements in the form of a new network firewall being a priority. Additionally, investments in technology that will accelerate utility cost reductions through improved energy monitoring across campus will be pursued. Investments in campus master plan aligned deferred maintenance projects, including those in university housing, will remain a priority to support a safe environment for students, faculty and staff and are also important to recruiting and retaining students. Investments of general-purpose funds and one-time funds are estimated at \$3.0 million.

Operational changes to impact expenditures

Personnel Costs: Salaries, wages and benefit costs are the largest university expenditure. Moving into FY26, NAU will focus on strategically managing positions through natural attrition with each vacancy evaluated against strategic priorities. This approach will lead to reductions in the largest university expenditure category through overall attrition and repositioning. In doing so, NAU will prioritize ongoing investment in personnel through salary increases, professional development, and internal career progression opportunities.

Operational budget expenditures across all departments: From contracts and leases that were renegotiated to reducing operational expenditures from travel to training, all units across the university reviewed and identified opportunities to reduce non-personnel expenditures as a primary source of facilitating budget reallocations toward personnel.

Expenses

NAU projects operating expenses will decrease 3.5% compared to the estimated FY25 expense levels as revenues for FY26 are projected to decline. A significant component in the expenditure base is personnel costs, which comprise nearly 60% of the university's operating costs. In FY26 NAU will strategically manage positions through natural attrition and offset anticipated decreases in sponsored project revenues with expenditure decreases.

The estimated decrease in the Other Operating Expense category for FY26 is largely driven by projected decreases in sponsored project activity, including several one-time awards that had planned end dates in FY25 and which had large equipment purchases and higher travel levels. As outlined earlier, a primary focus for FY26 is to drive utility expenditure reductions deploying technology to help identify energy reduction opportunities.

Depreciation expense is projected to slightly increase to roughly \$56.5. This relates to the implementation of intangible assets including the Learning Management System (LMS), the revamped NAU website, and the network firewall. Additionally, there has been an uptick in equipment depreciation which can be attributed to the rising cost of equipment.

NAU remains a good steward of available resources whether it is through investments from the state, students or external philanthropic partners. NAU operates an efficient and student-centered enterprise and will continue a number of initiatives on that front during the upcoming year including contract, lease and space reviews while further leveraging technology to address document management and workflow. Additionally, the focus on strategic procurement priorities continues to be a focus given targeted issues with procurement supply chains.

Summary

NAU's FY26 annual budget submission reflects its continued commitment to the success of its students and the employees who work to support those students as well as the long-term mission and viability of the institution. Maintaining a budget for FY26 that aligns revenue with expenditures is a critical component to the fiscal health needed and operational structure required to remain a viable institution over the long term that extends beyond 2026. NAU remains committed to working closely with the State of Arizona to identify funding that will support its long-standing mission to serve Arizona through maximizing the opportunities that await in FY26.

NORTHERN ARIZONA UNIVERSITY

	ACTUAL	ACTUAL	BUDGET	QTR 3	BUDGET	VARIANCE		VARIANCE	
				PROJECTED					
\$ in millions									
Name	FY 2023	FY 2024	FY 2025 BGT	FY 2025 EST-Q3	FY 2026 BGT	FY 26 BGT vs FY25 ESTIMATE		FY 26 BGT vs FY25 BGT	
General Appropriated	151.0	123.9	123.7	120.0	114.0	(\$6.0)	-5%	(\$9.7)	-8%
Appropriated GF - Research Infrastructure	5.3	5.3	5.0	5.0	4.9	(\$0.1)	-2%	(\$0.1)	-2%
Appropriated GF - Capital Infrastructure	4.8	4.9	5.0	5.0	5.1	\$0.1	2%	\$0.1	2%
Appropriated GF - Arizona Financial Aid Trust (AFAT)	1.3	1.3	1.3	1.3	1.3	\$0.0	0%	(\$0.0)	-2%
State Appropriation Transfer - Arizona Teachers Academy	4.1	8.0	6.5	8.0	8.0	\$0.0	0%	\$1.5	23%
State Appropriation Transfer - AZ Promise	4.2	6.4	8.6	3.8	3.8	\$0.0	0%	(\$4.8)	-56%
State Appropriation Transfer - Other	0.0	0.0	0.0	0.0	0.0	\$0.0	-	\$0.0	-
Subtotal State Appropriations	170.7	149.9	150.1	143.1	137.1	(\$6.0)	-4%	(\$13.0)	-9%
Gross Tuition and Fees	374.8	398.2	422.6	408.0	410.9	\$2.9	1%	(\$11.7)	-3%
Scholarship Allowance	(179.4)	(196.6)	(210.6)	(209.8)	(213.3)	(\$3.5)	2%	(\$2.7)	1%
Subtotal Net T&F	195.5	201.6	212.0	198.2	197.6	(\$0.6)	0%	(\$14.4)	-7%
Grants & Contracts - Research	94.6	106.4	110.0	125.0	100.0	(\$25.0)	-20%	(\$10.0)	-9%
COVID-19 Relief Funding	11.9	12.9	0.0	1.0	0.0	(\$1.0)	-100%	\$0.0	-
Financial Aid Grants (Primarily Federal Pell Grants)	39.2	44.5	48.0	53.0	51.0	(\$2.0)	-4%	\$3.0	6%
Technology & Research Initiative (TRIF)	19.6	46.7	19.5	32.3	28.0	(\$4.3)	-13%	\$8.5	44%
Private Gifts	50.6	35.8	35.0	40.0	45.0	\$5.0	13%	\$10.0	29%
Auxiliary Revenues, Net	77.9	85.7	91.0	90.0	93.5	\$3.5	4%	\$2.5	3%
Other Revenue	44.7	54.3	48.0	52.0	50.0	(\$2.0)	-4%	\$2.0	4%
Subtotal Other Revenues	338.5	386.3	351.5	393.3	367.5	(\$25.8)	-7%	\$16.0	5%
Total Revenues	704.6	737.7	713.6	734.6	702.2	(\$32.4)	-4%	(\$11.4)	-2%
Personal Services (Salaries & Wages)	294.0	321.8	330.0	338.0	329.1	(\$8.9)	-3%	(\$0.9)	0%
Employee Related Expenses	93.4	102.0	102.0	107.5	107.5	\$0.0	0%	\$5.5	5%
All Other Operating Expenses	164.2	170.0	164.5	170.0	153.0	(\$17.0)	-10%	(\$11.5)	-7%
HEERF/CRF Student Emergency Grants	0.0	0.0	0.0	0.0	0.0	\$0.0	-	\$0.0	-
Scholarship & Fellowships (Net of Scholarship Allowance)	30.6	35.0	34.0	37.0	35.0	(\$2.0)	-5%	\$1.0	3%
Interest on Indebtedness	24.0	21.6	21.5	20.7	21.1	\$0.4	2%	(\$0.4)	-2%
Subtotal Expenses	606.2	650.4	652.0	673.2	645.7	(\$27.5)	-4%	(\$6.3)	-1%
Depreciation	53.6	56.8	54.1	56.0	56.5	\$0.5	1%	\$2.4	4%
Pension Liability (GASB 68 & GASB 45)	-9.8	-7.4	0.0	0.0	0.0	\$0.0	-	\$0.0	-
Compensated Absences Accrued and Used but not paid (GASB 101)	0.0	0.0	0.0	0.4	0.0	(\$0.4)	-100%	\$0.0	-
Moody's Monthly Liquidity	279	301	305	305.0	281.0	(\$24.0)	-8%	(\$24.0)	-8%
Daily Liquidity Measure (calculated - Moody's Monthly Liquidity / Monthly Day Cash on Hand)	1.6	1.7	1.8	1.8	1.7	(\$0.1)	-5%	(\$0.1)	-5%
Monthly Days Cash on Hand	171	181	170	172.0	167.0	(\$5.0)	-3%	(\$3.0)	-2%
Increase/(Decrease) in Net Position	54.6	38.0	7.5	\$5.0	\$0.0	(\$5.0)	-100%	(\$7.5)	-100%

FY26 BUDGET SUMMARY-NORTHERN ARIZONA UNIVERSITY
INCREMENTAL ALLOCATION OF GENERAL PURPOSE¹ FUNDS
(\$ millions)

<u>FY25 Base Budget</u>	<u>\$ 415.8</u>
Changes in Incremental Funding	
Revenues from Tuition and Fees-tuition and fee rate	-
Revenues from Tuition and Fees - enrollment and mix shift	(14.4)
State General Fund Appropriation	(6.0)
State General Fund Appropriation - Research Infrastructure Funding	-
State General Fund Appropriations-University Infrastructure Funding	0.1
Other including investment income	-
Net Change in Resources	<u>\$ (20.3)</u>
Allocation of Incremental Resources	
Faculty, Staff and Student Salary and Wage Investment	-
Faculty, Staff and Student Benefit Investment	-
Student Financial Aid to align with anticipated enrollment levels	(5.5)
Cost Reduction and Funding Shifts	<u>(14.8)</u>
Net Change in College and Administrative Budget Allocations	<u>\$ (20.3)</u>
FY26 Base Budget	<u>\$ 395.5</u>
 FY26 Estimated Days Cash on Hand	 167

1. General Purpose Funds include state general funds, tuition and fees, investment income, administrative service charge, and facilities and administration revenue (indirect cost recovery).

FY26 BUDGET SUMMARY-NORTHERN ARIZONA UNIVERSITY
STATE EXPENDITURE AUTHORITY BY APPROPRIATION CAMPUS
(\$ thousands)

	TOTAL	FY25 BUDGET	CHANGE
Resident Tuition	219,266.4	212,453.6	6,812.8
Non Resident Tuition	101,084.7	119,387.1	(18,302.4)
Differential Tuition			-
Program Fees ¹	8,622.8	8,099.1	523.7
Miscellaneous Revenues	10,149.5	10,535.3	(385.8)
Total University Revenues	\$ 339,123.4	\$ 350,475.1	\$ (11,351.7)
University Revenues Retained for Local Uses			
Support for Local Operating Budgets	\$ 14,351.6	\$ 16,219.5	\$ (1,867.9)
Regents Financial Aid Set Aside	30,500.0	27,446.0	3,054.0
Other Financial Aid	154,921.2	160,472.7	(5,551.5)
Plant Funds	1,000.0	1,000.0	-
Debt Service/COPS/Lease Purchase	12,900.0	13,500.0	(600.0)
Total Retained for Local Uses	\$ 213,672.8	\$ 218,638.2	\$ (4,965.4)
University Revenues Remitted to State (State Collections)	\$ 125,450.5	\$ 131,836.8	\$ (6,386.3)
Plus: State General Fund Appropriation²	125,364.4	134,607.0	(9,242.6)
Total State Expenditure Authority	\$ 250,814.9	\$ 266,443.8	\$ (15,628.9)

¹ Includes Special Program Fee Revenue for University Central only - Other Special Program Fee Revenue Reflected in Local Budgets

² Does not include TGEN, does include AFAT



FY26 LOCAL COLLECTIONS-NORTHERN ARIZONA UNIVERSITY

	FY26 BUDGET	FY25 BUDGET	CHANGE
LOCAL COLLECTIONS FROM TUITION AND FEES			
OPERATING FUNDS			
<u>DESIGNATED</u>			
Child Care	-	43,900	(43,900)
College of Arts and Letters Support	-	93,360	(93,360)
Online and International Program Investments	13,584,068	15,314,734	(1,730,666)
Employee Benefit Contingency	50,000	50,000	-
SUBTOTAL	13,634,068	15,501,994	(1,867,926)
<u>AUXILIARY</u>			
SUBTOTAL	-	-	-
OPERATING FUNDS SUBTOTAL	13,634,068	15,501,994	(1,867,926)
<u>FINANCIAL AID</u>			
Regents Financial Aid Set Aside	30,500,000	27,446,000	3,054,000
Other Financial Aid - Institutional Financial Aid	154,804,200	159,303,100	(4,498,900)
SUBTOTAL	185,304,200	186,749,100	(1,444,900)
<u>MINOR CAPITAL PROJECTS/PLANT FUNDS</u>	1,000,000	1,000,000	-
<u>DEBT SERVICE</u>	12,900,000	13,500,000	(600,000)
TOTAL LOCAL RETENTION FROM TUITION	212,838,268	216,751,094	(3,912,826)
LOCAL COLLECTIONS FROM PROGRAM FEES			
<u>Designated Operating Funds</u>			
Doctorate of Physical Therapy (DPT) Program Fee	187,000	187,000	-
Physician Assistant (PA) Program Fee	312,800	312,800	-
Occupational Therapy (OT) Program Fee	92,200	92,200	-
Athletic Training (AT) Program Fee	43,000	43,000	-
Clinical PsyD program	82,500	82,500	-
<u>Financial Aid Set Aside for Program Fees</u>			
Physical Therapy Financial Aid Set Aside	490,896	430,640	60,256
Physician Assistant Financial Aid Set Aside	337,623	345,940	(8,317)
Occupational Therapy Financial Aid Set Aside	224,840	219,450	5,390
Athletic Training Financial Aid Set Aside	16,412	18,291	(1,879)
Doctor of Clinical Psychology Financial Aid Set Aside	86,460	155,281	(68,821)
TOTAL LOCAL RETENTION FROM PROGRAM FEES	1,873,731	1,887,102	(13,371)
TOTAL LOCAL COLLECTIONS	214,711,999	218,638,196	(3,926,197)

NORTHERN ARIZONA UNIVERSITY - TUITION AND FEES REVENUE

(\$000)

	FY23	FY24	FY25 BGT	FY25 EST	FY26 BGT
Base Tuition	268,953	281,771	300,030	285,713	286,151
NR UG	92,571	84,882	84,166	78,395	72,995
RES UG	140,058	155,983	168,475	165,871	173,476
NR Grad	17,534	20,523	24,828	19,756	16,734
RES Grad	18,790	20,383	22,561	21,691	22,947
Online	33,739	34,829	35,211	35,085	37,116
NR UG	6,811	6,130	6,197	6,140	5,190
RES UG	12,997	12,750	12,481	14,094	12,891
NR Grad	5,253	6,312	6,415	4,374	8,399
RES Grad	8,677	9,636	10,117	10,477	10,637
Prog Fees	8,885	9,842	11,704	11,213	12,181
UG	922	843	981	957	1,040
Grad	7,963	8,998	10,723	10,256	11,141
College Fee	11,973	12,547	15,048	14,569	14,810
UG	11,973	12,547	15,048	14,569	14,810
Grad					
Course Fees	17	-1	0	0	0
UG	0	-1	0	0	0
Grad	17	0	0	0	0
Ext Ed Fees					
Non Degree					
Summer & Winter Sessions	20,400	25,716	24,722	27,360	27,450
Mandatory Fees	27,512	29,747	31,676	30,566	29,673
UG	24,334	26,119	28,009	26,676	2,590
Grad	3,178	3,628	3,667	3,890	27,083
Other Misc	3,357	3,743	4,200	3,504	3,500
Total Tuition & Fees	374,836	398,194	422,590	408,010	410,881

