April 6, 2022

Highlights:

- University financial outlook
- Compensation for our faculty, staff, and student employees
- Membership and priorities of the University Budget Advisory Board
- Structured plans to further improve and optimize our service delivery model
- Looking ahead

Dear Lumberjacks,

We have reached that time of the academic year when our values, aspirations, and priorities must be reflected in our institutional budget for the next fiscal year.

Today, as we work through the planning and budgeting processes for Fiscal Year 2023 (FY23), which begins July 1, I want to update you on how we plan to approach the imperative of improving compensation for our faculty, staff, and student employees. In short, we will do so with optimism and resolve against the challenging and uncertain financial future ahead of us.

University financial outlook

We are working hard on multiple fronts to secure sustainable financial resources to power our mission, which include:

- advocating for additional federal and state investments that will expand access and attainment;
- advancing our proposal to recalibrate our tuition and fee policies;
- soliciting philanthropic support from foundations and individuals;
- exploring ways to further improve and streamline our academic and administrative services to yield higher levels of productivity;
- seeking new revenue sources through grants, contracts, and innovative services; and,
- identifying ways in which we can responsibly increase enrollment levels—which account for approximately 40 percent of our revenues—through more robust and effective recruitment and retention efforts, and a corresponding portfolio of impactful academic programs, among many other initiatives.

However, based on current early projections, when the legislative budget process is closed, new tuition and fee rates approved, inflation increases are factored in, and census data for Fall 2023 enrollment is certified, we expect the
increase in new financial resources available for university operations could just be approximately $5 million more than it was this current year.

**Compensation for our faculty, staff, and student employees**

The financial outlook for the year ahead is challenging. But guided by my informed confidence in our collective ability to improve the financial health of our university based on extensive conversations with leadership teams and university stakeholders, I am pleased to announce the following immediate investments in our faculty, staff, and student employees:

- In the May 20, 2022 paycheck, we will issue a one-time payment equivalent to 3 percent of current base compensation to all eligible faculty and staff (estimated one-time impact, $7 million).
- Effective July 1, we will implement a new salary schedule for instructors, lecturers, and faculty recently reappointed into our new Teaching Track, resulting in increased salaries for FY23 that adjust to updated benchmark levels (estimated annual impact, $3.4 million).
- Effective July 1, we will increase the lowest paid wage for our student employees to $14.50/hour from the current $12.15/hour rate—an increase of 19 percent (estimated annual impact, $2.2 million).

I know some of you may be wondering how we can implement the above changes in compensation given that, per our financial outlook, the estimated total commitment in one-time payment and annual salary increases exceeds the expected increase in financial resources available for FY23.

Let me explain. The one-time investment in our faculty and staff is made possible by projected savings and unanticipated one-time revenue recognized during the current fiscal year. This one-time payment will allow us the time we need to better understand the revenues that will be available for FY23 before developing a multi-year plan for faculty and staff salary increases that can be implemented in spring 2023. The annual investments in our Teaching Track faculty and student employees, in turn, represent a commitment to put our people first while we work collectively to reconcile our costs with our revenues in the year ahead. Specifically, I am counting on the university community’s efforts to:

- increase student retention rates;
- attract more students to our programs in Flagstaff, Statewide, and Online;
- secure new revenue streams; and,
- continue to find ways to make our work more effective and cost-efficient.

Through the combination of these and other efforts, I am confident we will deliver on our mission—broadening access and attainment—and concurrently strengthen our financial position in the years ahead.

**Membership and priorities of the University Budget Advisory Board**

As announced earlier this year, the **University Budget Advisory Board (UBAB)** will be an important deliberative and advisory body for our university. UBAB will consider our constraints and opportunities in setting budgetary priorities and identify fiscally responsible strategies to meet these priorities, advance our mission, and enhance the financial sustainability of our university.
My thanks to the presidents of the Faculty Senate, Staff Advisory Council, Associated Students of Northern Arizona University (ASNAU), and Graduate Student Government (GSG) for nominating engaged individuals to serve as representatives on this group. The list of members is below:

- Bjorn Flugstad (Chair; SVP for University Operations and CFO)
- Megan Cunningham (Vice Chair; University Budget Director)
- Blue Brazelton (Faculty Representative; Assistant Professor, Educational Leadership)
- Tarang Jain (Faculty Representative; Associate Professor, Physical Therapy and Athletic Training)
- Jacob Carter (ASNAU Representative)
- Diamond Price Tellez (GSG Representative)
- Frederick Dael (Staff Representative; Assistant Director, Enrollment Management)
- Stephanie Del Giorgio (Staff Representative; Research Coordinator, Institute for Human Development)
- Christopher Griffin (Provost’s Representative; Associate Dean, College of Arts and Letters)
- Julie Mueller (President’s Representative; Chief Economic Advisor to the President and Professor, Economics)
- K. Laurie Dickson (Ex Officio Member; Vice President for University Strategy and Senior Associate to the President)

UBAB will convene for its first meeting next week. At the forefront of UBAB’s initial work will be developing guiding principles for budgeting priorities—principles that can guide us from year to year regardless of the level of resources.

In addition, building on our one-time payment that addresses the immediate need to adjust compensation to retain and support our talented, mission-driven employees, UBAB will prioritize developing a three-year plan that will lead to a minimum 10 percent increase to faculty and staff salaries during that timeframe. I expect this work will be completed in the fall with implementation of recurring salary increases beginning January 2023 and a plan that can be incorporated into the FY24 budget planning process.

**Structured plans to further improve and optimize our service delivery model**

Finally, because of the role our service delivery model plays in ensuring the overall efficiency, accuracy, compliance, and productivity of our collective efforts, I want to provide an update on plans to improve and optimize this important work.

In March 2021, NAU transitioned to university-wide adoption of a service team delivery model for procurement, finance/travel, and selected human resources processes. I am deeply appreciative of our service team members who have spearheaded these efforts and worked diligently to support the needs of our academic and administrative units over the last year.

In conversations with our service team staff, our ad-hoc service team advisory committee, and diverse constituents and user groups from across our university,
however, it is clear that while these efforts are recognized and appreciated, a cohesive plan for accelerating improvements after one year of full implementation is needed. A plan that also considers the university’s responsibility to create the conditions that will allow all members of our community—including our service team staff—to have the support they need to succeed.

To this end, next week I will announce the membership of a **30-Day Travel Optimization Taskforce**. The taskforce will include representatives from the travel service teams and key stakeholder groups (such as “superusers” that generate large numbers of transactions) who will lead the first phase of a sequenced optimization effort. Their charge, which will result in a report submitted to our University Advisory Board, will be as follows:

- review current processes and on-going and emerging improvement plans developed by the travel service team, with a deep-dive into identified areas of concern/opportunities for improvement;
- consider mechanisms to improve speed, accuracy, compliance, and communication in processes, including potential reduction of touchpoints and greater flexibility in user input; and,
- develop recommendations on clear action steps and continuous improvement processes that can be taken and implemented for University Advisory Board review and action team implementation in Summer 2022.

With these parameters, I believe we can quickly and responsively tackle the area of travel services, including the possibility of distributing and adequately resourcing some elements of the work to academic/administrative units.

Based on the results of this 30-day taskforce, we will use this model to address other areas of our administrative processes and services in the future.

**Looking ahead**

The steps outlined today reflect my sincere commitment to the people who are the fabric of our NAU community and whose work enables us to deliver our educational mission. Over the past year, we have invested in support of our employees, through efforts that include the **University Closure** and **Staff Community Engagement Time** policies, the **New NAU Workplace** suite of policies and practices, the development of the new Teaching Track program for our faculty, and an **expansion of tenure track faculty lines and searches** to support our institution’s work in teaching and scholarship, among other ongoing efforts to ensure we recognize, value, and support those who, day-in and day-out, invest their time, talent, and energy in the advancement of NAU’s mission.

I firmly believe that this people-first approach to budgeting will secure the conditions for a bright future for our university—because it is our people who ultimately allow us to deliver on the promise of equitable postsecondary value for all.

I look forward to sharing details around implementation of our compensation adjustments soon and to the developing work of UBAB and the Travel Optimization Taskforce.

Sincerely,