

June 30, 2013

Rick Myers  
Chairman  
Arizona Board of Regents  
2020 N. Central Avenue, Suite 230  
Phoenix, AZ 85004

Dear Chairman Myers:

The following letter and attachments specifically responds to your request for a report on my performance metrics from 2010 to 2013. If you look at the metrics, one would think we had not attained many successes, but, in reality, we have never been stronger financially with huge enrollment growth, new academic programs in the health fields in response to state demand, and new and renovated buildings to keep up with the changing campus. The metrics were actually developed more than six years ago as part of my 2007-2010 contract and largely then continued in the next contract ending this June 30. All parts of a goal, though, have to be achieved. Many of the metrics had several parts which should have been separated so that achievements could still be recognized as the higher education environment changed. In essence, the metrics were static while the world of higher education was being transformed. I will briefly describe each metric and our performance, but first I thought it would be helpful if I shared my personal view of the challenges ahead.

I believe that Northern Arizona University will continue to increase the student population, but the number of faculty serving the students will not grow proportionately. Clearly state funding will increase very slowly and future tuition hikes will be increasingly difficult to sustain. At the very same time, the university will be held to higher standards in teaching, degree production, research, and public service. So how does the institution move forward? In my business plan presentation in September, I will spend considerable time answering this basic question.

Most important is that we have to use technology as a tool that helps change how we deliver academic programs. Personalized Learning is one such effort. The resistance to using the technology to transform the university is strong and persistent, but there is no other way to change the cottage industry we now have and educate students more effectively with the same or greater quality and at less cost.

Second, NAU has to always devote resources to recruiting students from multiple sources: state, international and online. At the same time, our degrees have to be affordable and accessible. Flagstaff tuition will be higher with a residential campus with more than a hundred degree programs and a research mission. But online or at Yuma, Prescott Valley, and many other sites we offer students a tuition price several thousand dollars below the Flagstaff campus.

Third, the university also has to develop an all funds budgeting system in which our various enterprises -- bookstores, residence halls, meal plans, a restaurant and conference center -- increasingly share in the cost of the academic mission.

Fourth, we have to continue to diversify academic programming to meet state needs, to reduce subsidies, and to attract students. Throughout the recession, we invested in health care programming because it was part of our future. I think you will find that these strategies line up well with the metrics. I have attached a document, **Priorities and Challenges**, which provides additional detail.

## **Performance Metrics**

**\*I have attached a document entitled Performance Evaluation Measures which graphs each measure over the last several years. The comments below are to be read in conjunction with this document.**

### **1. 21 Day Fall Headcount Enrollment**

Our growth has been spectacular by any measure but not sufficient to meet the goal. Headcount enrollment grew by 35% since FY04 and by 16% since FY09, and full-time-equivalent (FTE) enrollment grew even more (48% since FY04 and 24% since FY09). NAU has recorded the highest percentage headcount and FTE growth in the enterprise for the last 4 out of 5 years. Nearly all of our growth is on the Flagstaff campus.

### **2. Enrollment Subpopulations**

#### **a. Nonresident Enrollment**

Our growth in out of state students is 42% higher than in 2010. Our strategy was to recruit students from the western states that were part of the WUE program. Not only is our tuition attractive at 150% of in-state tuition, but the Pledge Program is very important to students and parents. We have also been very active in recruiting international students from the Middle East and China. Both these strategies improve our bottom line in tuition revenue as well as enrich the diversity of the academic environment.

#### **b. Community Campus and Online Enrollment**

Our growth exceeded the online goal, but not the community campus goal. As I have mentioned for the last several meetings, students are opting away from courses at physical sites and moving to online. Today we have over 70 online degrees. This trend will force significant changes in our extended campus programs. For years, we talked about having 31 sites across the state either on community college campuses or in leased buildings in small towns. Before the advent of online programs, students would drive to a site to take courses from faculty. But today students prefer to take an online program because it is more convenient and the number of program choices greater. I expect this pattern to continue forcing the university to consider closing many sites in rural areas. There are enormous political risks in heading down this path.

### **3. Arizona Architecture Strategies**

#### **a. NAU-Yuma and NAU-Yavapai**

We did not make our goals here for the reasons I mentioned in the paragraph above. In the case of NAU-Yavapai, we were delayed in starting the campus because of the need to gain political support in the community. Initially, we also were too optimistic about enrollments. But in May we graduated the first 14 students from this innovative program. Campus enrollment in the Fall 2013 should exceed 120 students.

At NAU-Yuma, the numbers are declining. Essentially we offer courses on the Arizona Western campus and only offer the junior and senior year. For 25 years that model worked, but today I believe we have to rethink the Yuma program. Could we grow faster as a four-year institution? Should we offer courses in the business and commercial areas of the city rather than twenty minutes away on the Arizona Western campus? Most important, should we change our recruiting strategies so that we look to an older student population who pursue degrees while working a full-time job?

b. **Transfer Student Enrollment**

Although we did not make the goal of a 20% increase, we have grown a respectable 18% over the 2010 estimated base. When this goal was set it measured all transfer students from anywhere in the country. But today the Enterprise metric is only on Arizona students. According to the June 2013 ASSIST statistics, NAU's new Arizona Community College Transfer students grew by 36 percent (689 students) from FY09 to FY12, while the rest of the university enterprise grew their AZCC students by 7 percent (478 students).

**4. Underrepresented Students Degrees (Bachelors, Masters, Doctoral)**

For this goal the data is not complete yet for 2012-2013, but we actually met the goal last year. When 2012-2013 degrees are finalized, we will show continued growth.

**5. Clinical Allied Health Fall Enrollment**

The goal was exceeded. We have achieved substantial growth in all of our health profession programs both in Flagstaff and Phoenix. Five years ago the university decided that allied health fields could become a new niche for the university serving a substantial state need and allowing for a tuition structure that did not require a large subsidy. The partnership with the University of Arizona allowed us to start a new Physician's Assistant Program, expand our Physical Therapy Program and in fall 2014 a Doctoral Program in Occupational Therapy. When one looks at the shortages projected for doctors, these allied health programs become increasingly important. We have not neglected our Flagstaff campus with new programs for athletic training and a doctorate in nursing practice plus a booming program in biomedical sciences at the undergraduate level.

When looking at the future, I expect further expansion throughout the state drawing students into programs that serve particular local communities. It could be that Yuma and Prescott Valley would be excellent sites for several of these programs. All these efforts are part of the EEC efforts to partner with the state in the delivery of health care.

**6. Baccalaureate Production**

a. **First to Second Year Retention Rate**

We have exceeded this goal. This is an extraordinarily important measure since it fulfills our hopes to change the pattern of student success in the freshman year. Five to six years ago, we carefully studied the patterns of freshman performance in certain key courses in the sciences and mathematics. Failure rates were high and a main contributor to many students leaving the university. From these studies, we moved in the direction of using technology in a variety of innovative ways to increase the learning outcomes. We formed a University College in order to recruit the best faculty to deal with the freshman students. We are also now in the second year of the Lumberjack Mathematics Center which radically transforms the teaching of mathematics. The next steps will involve changes in courses across the campus so that learning objectives drive faculty culture.

b. **Six Year Graduation Rates**

I have argued unsuccessfully for years that this is not a valid metric or goal. It reflects a federal formula that takes a freshman cohort of students and then looks at whether they graduate in four or six years. In today's universities students are constantly moving from one institution to another. The key statistic is whether they graduate from any university in the country. We can determine that and track students anywhere in the country through the National Student Clearing House. This approach changes the picture substantially. The federal rate says our six year graduation rate is 49%, but if you use the national data the six year graduation rate does not account for the fact that another 20% of the students have either graduated from another institution or are still actively pursuing a degree. The universities and the students are succeeding at a much higher level than the public realizes. In general, the federal rate is a flawed measure, and I strongly suspect the ECC will recommend abandoning that measure.

c. **Bachelor's Degrees Awarded**

Given our enormous enrollment increases, we have surpassed this goal by over a thousand baccalaureates. When 2012-2013 degrees are finalized, we will show continued growth.

**7. Total Research Expenditures**

We will be unlikely to make this goal when final figures are available in September. During the worst of the recession, we offered early retirement packages to over 60 tenured faculty. It saved our budget and allowed us to deal with the recession but undoubtedly weakened our ability to bring in federal dollars. This fall we will be searching for 20 new tenure-track faculty largely in the science and engineering disciplines which should make our numbers look very different in future years.

**8. Fundraising**

Final numbers will not be available until August or September when the Northern Arizona Foundation reports to the university. We are working to close a \$20 million dollar gift for a named College of Education. We are very confident this gift will be closed, but not by June 30, 2013.

We are doubling our efforts in fundraising with a new capital campaign that will kick off in October 2013. The goal is \$100 million, and we are close to having solid commitments for 60% of that number.

**9. Capital Infrastructure**

This goal has been met through demolished facilities, significant renovations of entire buildings, and widespread renovation of classroom space. Additionally, major infrastructure accomplishments that are not measured by this performance metric include new boilers, chillers, plumbing systems, as well as electrical switch gears, electrical lines, and tunnels that have been upgraded and improved to ensure campus continuity. These are huge, expensive systems that are critical to a functioning campus. But deferred maintenance remains one of our most difficult challenges. Annually we spend over \$3 million but next year we will spend considerably more.

#### 10. Faculty/Staff Compa Ratios

- a. We made our goal to raise faculty salaries through targeted faculty salary adjustments over the last three years; making progress even while handling major budget reductions.
- b. Staff salaries have not risen as fast partly because of the budget situation, market, and partly because we first needed to address a more serious issue with the faculty.
- c. Alongside capital infrastructure, the salary structure is a major problem for the university as a whole. We have to remain competitive against our peers and to hire the best staff in the marketplace. I consider this an unresolved budget challenge.

### **FY 2013 to 2015 Annual Performance and Institutional Incentives**

As part of my contract for next year I would propose that we use Chad Sampson's letter to the Regents on November 13, 2012 as a very good plan. Initially, the board would have put me on the same performance contract as the other presidents but then realized that I had to finish this current contract. But Chairman Myers and Chad Sampson put together an excellent series of objectives acceptable to me as a set of metrics for 2013-2015. I have attached this letter for your review.

We have already started work on two of the annual performance incentives mentioned in that letter. The first project is a strategic plan for increasing community colleges transfers to Northern Arizona University. That plan will be submitted by December 31, 2013. A second work in progress is to submit a strategic plan for sustaining the NAU-Yavapai campus. It will include detailed academic, financial, and to the extent necessary capital plans that ensure the viability of the partnership. Again, the Yavapai plan will be submitted by December 31, 2013.

The Enterprise Metrics Performance Incentives and University Initiatives mentioned in the letter are all acceptable to me if the Board agrees.

I would be glad to answer any questions you might have.

Sincerely,



John Haeger  
President

c: Eileen Klein  
Nancy Tribbensee

Attachments -  
Priorities and Challenges  
Performance Evaluation Measures FY 2011-2013  
Chad Sampson Letter

# PRIORITIES AND CHALLENGES

## PRIORITIES

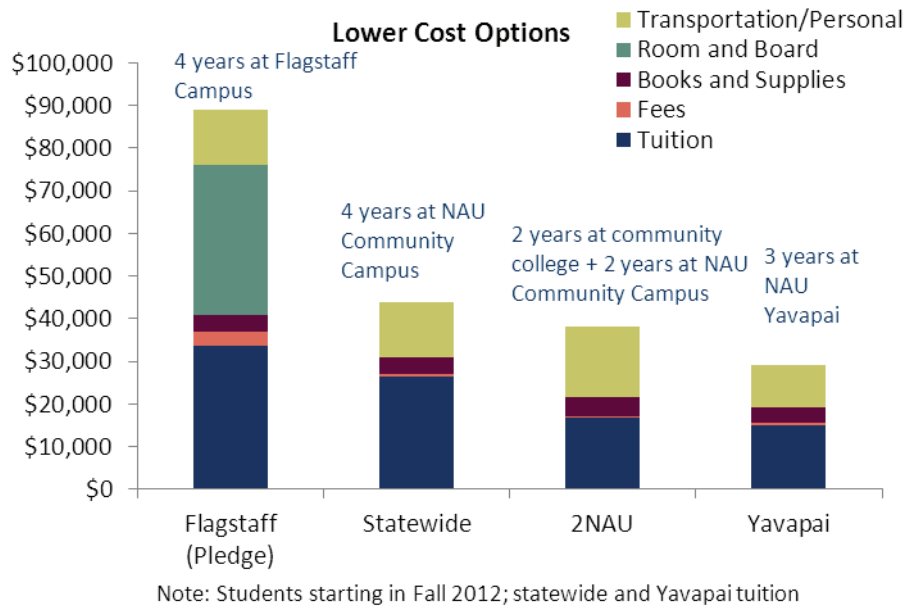
### Affordability and Accessibility

#### Affordability

- NAU-Yavapai in Prescott Valley, the lowest cost option NAU offers, is about 30 percent of the total cost of the residential experience on Flagstaff campus.
  - ⇒ The campus offers three-year bachelor's degrees in entrepreneurship, service industry management, community development and sustainability, and applied human behavior (spring 2013 enrollment: 100).

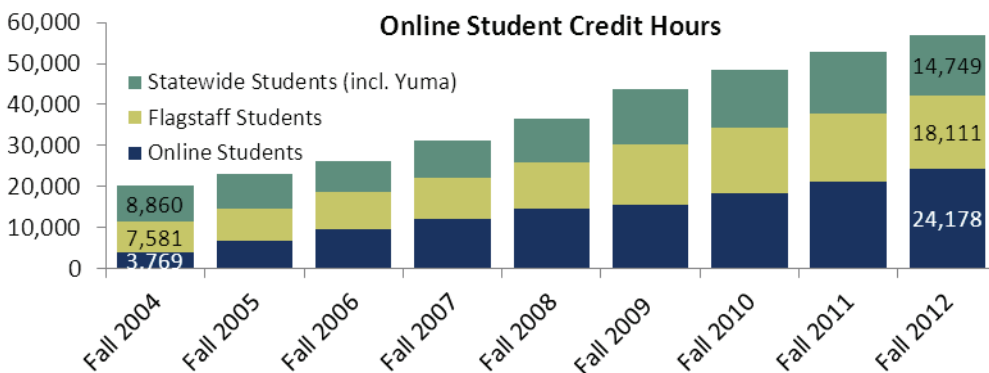
- The Pledge Tuition Program guarantees college tuition for four years, helping students and families plan a predictable college budget.

- Joint admissions moderates students' overall college expenses while streamlining their path toward bachelor's degrees.
  - ⇒ Partnerships with nine community colleges.
  - ⇒ From fall 2008 through spring 2012, CCC2NAU served 881 students; 2NAU (8 statewide partnerships launched in fall 2010) served 1,031 students.



#### Accessibility

- An extensive network of 35 community campuses makes NAU a true state university.
- 76 online degrees (48 bachelor's, 27 master's, 1 doctoral).



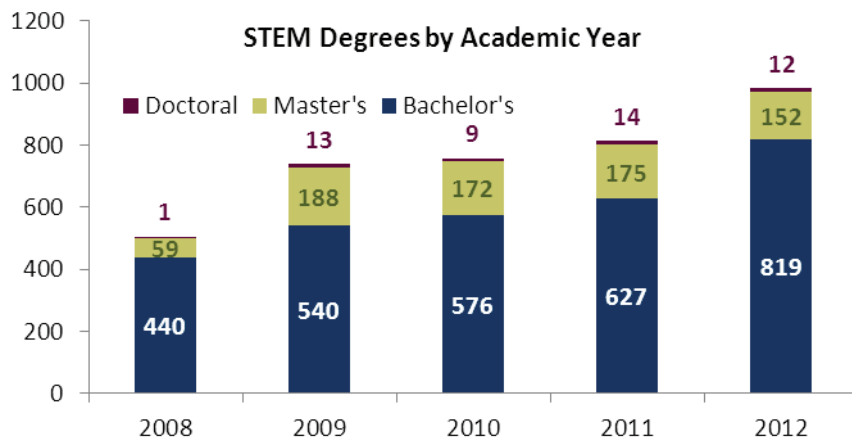
## State Workforce Needs

### Science, Technology, Engineering and Mathematics

- Enrollment nearly doubled since 2004 and earned degrees doubled since 2008.

### Health Professions

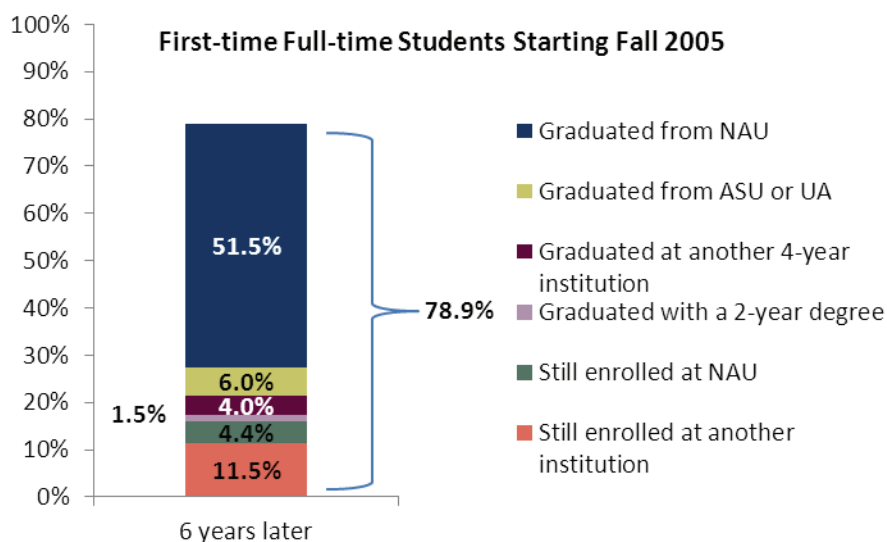
- Long-standing programs are offered in nursing, dental hygiene, physical therapy, clinical speech pathology and health sciences.
- Program in athletic training accredited in 2005.
- Biomedical sciences degree (in biology) added in fall 2009.
- Physician assistant and doctor of physical therapy programs at Phoenix Biomedical Campus started in fall 2012 with cohorts of 25 and 24, respectively.
- Enrollment in fall 2012 reached more than 3,000 (up from 1,200 in fall 2003).



## Student Success

### Technology-enhanced Instruction to Improve Student Learning

- Lumberjack Mathematics Center aids first-year math instruction.
- Blended and flipped courses intensify meaningful faculty-student interaction and application of concepts first explored in an online, multi-media environment.
- Personalized Learning (starting in spring 2013)—self-paced, competency based programs to enable motivated adult students to earn a high quality degree more efficiently and at a lower cost by customizing coursework to fit individual learning styles and previously acquired knowledge.



⇒ Tuition: \$2,500 all-inclusive per six months.

⇒ Programs offered in liberal arts, small business administration, computer information technology.

- Partnerships with Pearson, NBC Learns and others leverage the university's instructional capacity and course development.

### University College

- Promotes achievement through a full range of services and programs for first-year students, including academic transition programs, success coaching, academic advising, and career planning.

# CHALLENGES

## Per-student Funding

### Continuous Decline

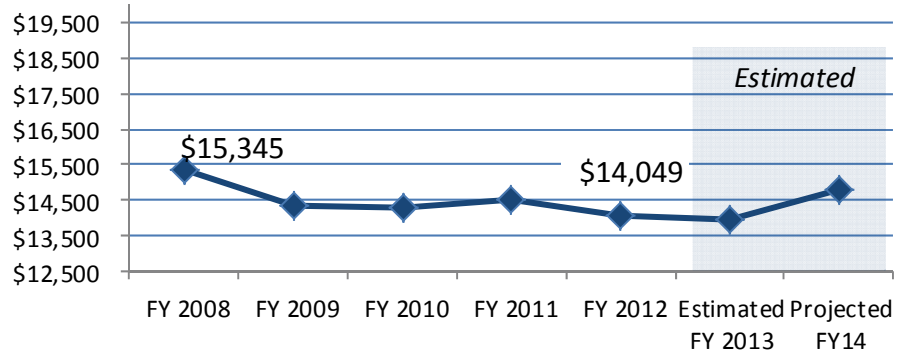
- Enrollment growth of 25% FY 2008—FY2014
- With FY2014 new state funding of \$7M, state appropriation per FTE shows a 30% decline since FY2008.

## Building Renewal

- NAU Building Renewal (BR) Cumulative Request 2008-2013: \$65,251,903
- BR Appropriated for NAU 2008-2013: \$0
- Deferred Maintenance Calculation (6/30/2012): \$109,217,368

## Gross Tuition and State Appropriations per FTE

Assumes FY14 additional state appropriation of \$7M from parity and performance



## Research Agenda

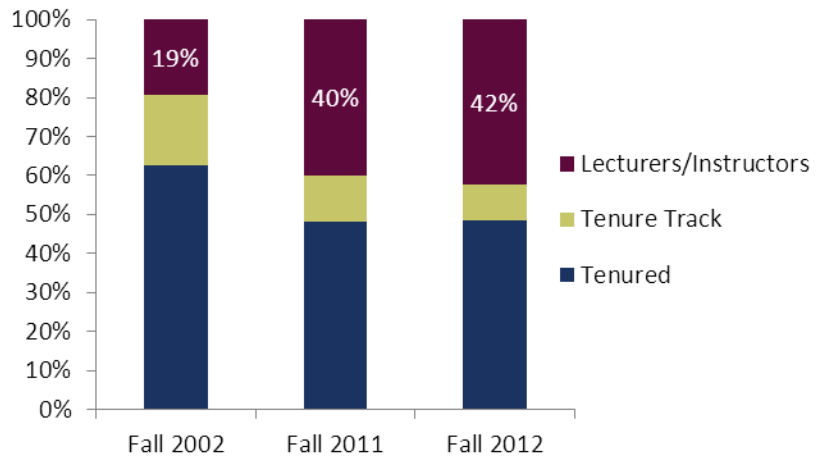
### Changes in Faculty Composition

- Greater reliance on non-tenured (teaching only) faculty due to funding.
- Near the bottom in salaries among peer institutions (nationally): 11.4 percent below the market (2011-2012 AAUP Salary Survey).

### Research Productivity

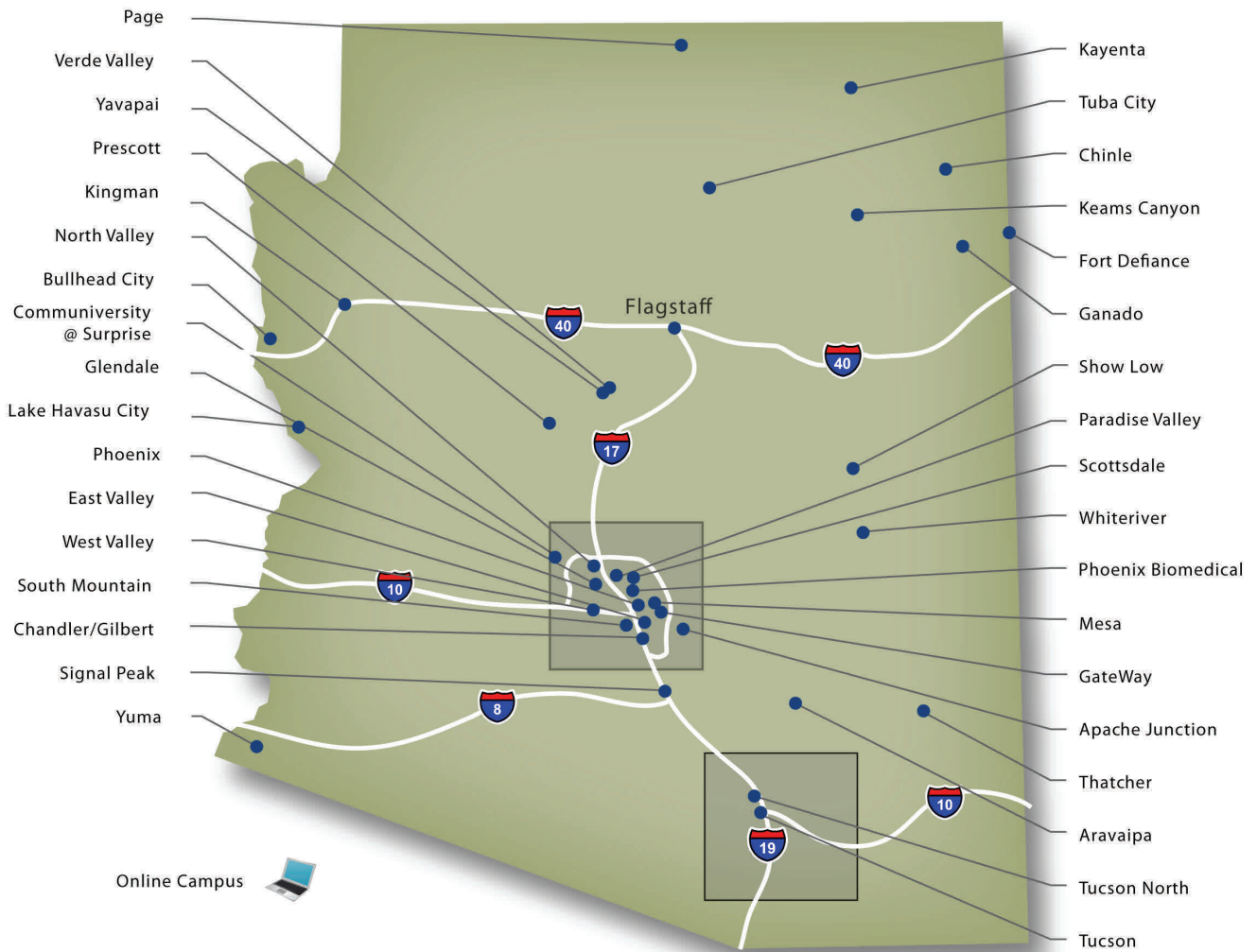
- A recent decline in the number of new grant proposals and awards are symptomatic of the change in faculty composition.

## Faculty Composition



- Research activity directly affects the university's role in economic development through its ability to spin-off new companies.
- The university contributes to regional vitality through the Institute for Human Development, Civic Service Institute, and many others centers and institutes delivering public services to groups external to the institution, including K-12 schools and school districts. About 30 percent of NAU public service funding benefits Native American communities.

# EXTENDED CAMPUSES OF NORTHERN ARIZONA UNIVERSITY ACROSS THE STATE



## MISSION

To provide an outstanding undergraduate residential education strengthened by research, graduate and professional programs, and sophisticated methods of distance delivery and innovative new campuses and programs throughout the state.