



November 15, 2023

President Cruz Rivera

The University Budget Advisory Board (UBAB) submits the recommendation for a mid-year faculty and staff broad-based merit salary increase in response to your charge to the group in April 2022. The recommendation outlined below is considered a second step towards the goal of a minimum 10% salary increase for faculty and staff over a three-year period.

Similar to last year, the group engaged in thoughtful deliberations during the fall semester and has reviewed the university's strategic priorities including progress to date in the university's investment in people via monetary investments and the new NAU workforce policies, the short and long-term financial health for the university, and inflation trends among other items. Several deliberations are important to note to provide the context for the group's recommendation:

- Enrollment levels and enrollment mix of new and continuing students play an integral role in the ability to continue the investments in salaries and tie directly into your recent message of relentless welcome combined with goals for retention and graduation rates.
- The university's fall enrollment mix, the proportion of resident versus non-resident students, did not align with the projections from the spring. Specifically, the strength in resident student enrollment did not compensate, revenue wise, for non-resident and international enrollments not meeting their projections.
- Reaching the 10% goal via discrete, additive percentage increases will result in a larger than 10% total increase due to financial compounding.
- Current progress toward the 10% increase for all employees is significant and reflected in the fact that 53.5% of current employees who were employed in April 2022 have salaries that are more than 10% greater than their salaries in April 2022.
- Notably, the current average percent increase in salaries across faculty and staff relative to April 2022 is 15.1%, outpacing the 6.6% cumulative inflation rate in the [Western US](#).

With this context, UBAB supports and recommends a merit adjustment of 3.0% for benefit eligible faculty and staff effective for April 2024. This recommendation of 3% continues the progress toward the 10% goal. UBAB recommends that the effective date of April be used to align this year's university costs with resources.

As recruiting and retaining employees is also challenging in the local Flagstaff labor market, UBAB also supports adjusting the minimum hourly full time wage rate in April to \$18.50 per hour.

Additionally, UBAB supports and recommends further increases to the lowest salary tier for nearly 1,000 student employees in July 2024 that will establish \$15.50 as the floor up from \$15.00. This timing will allow for planning heading into the new semester with the specific payroll timing in July 2024 to be established by NAU Human Resources. UBAB continues to recommend the ongoing review of the student wage rates and add that Academic Affairs prepare an analysis on the investments in graduate assistants that could be reviewed by UBAB.

The increases presented here for full-time faculty and staff, hourly employees, and student employees have an estimated impact of \$10 million on an annual basis and a \$2.2 million impact for the time period of April through June of fiscal year 2024. Cumulatively with last year's increases, the annual investments in faculty, staff and students recommended by UBAB will now exceed \$30M. Much as NAU's commitment to student success underpins the charter and vision of being an engine of opportunity, our recommendation demonstrates a willingness to invest in employees – faculty, staff and students – and underpins the importance of employee retention to the continuity and effectiveness of NAU's operations.

Our 3% recommendation leaves 2.5% as the remaining minimum target for future salary adjustments to fulfill your initial charge. UBAB notes that the primary driver of future investments will be through growth in enrollment, retention, and associated revenue (tuition, fees, and enrollment driven auxiliary revenue). More specifically, NAU's ability to finance current and future commitments to compensation is contingent on our ability to effectively **recruit, enroll, retain, and graduate all students in alignment with our vision**. We encourage the President and university leadership to continue to affirm this critical linkage between carrying our vision and securing a sustainable and health financial position—and encourage all faculty and staff to see themselves in and contribute to this vital work.

UBAB will continue to review the university's overall revenue and expenditure trends and will provide input as to the timing of future investments, including salary investments. Along with a general review of cost containment efforts, non-personnel expenditures must remain a focus for all members of our community to help sustain these significant initiatives in personnel costs.

Thank you for your consideration of these recommendations and recognizing that our recommendation for salary increases reflects an opportunity to call all Lumberjacks to ongoing action in support of *Elevating Excellence* and our students' academic momentum.

University Budget Advisory Board