



FY 2014 General Operating Budget

Executive Summary

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The FY 2014 General Operating Budget for MSU Billings was developed in accordance with initiatives outlined in the University's Strategic Plan, **Futureu**, collaboration among MSU campuses, and the actions taken by the Montana Legislature and the Montana University System Board of Regents (BOR). The budget development process and highlights of the FY 2014 budgets are described below. Historical revenue and expenditure data can be found in the **Budget Resource Book** chart section.

BUDGET DEVELOPMENT PROCESS

The decision-making process employed to develop the budget was participatory and focused on aligning the budget with the initiatives identified in the MSUB **Futureu** Strategic plan (www.msubillings.edu/futureu). The Executive Budget Council (EBC) began the development of the FY 2014 General Operating budget in October. The initial revenue and expenditure assumptions utilized in the MSUB budget scenario were based on the Montana University System (MUS) 2015 biennial budget proposal submitted to the Governor's Office and subsequently to the Legislature. Assumptions regarding nonresident tuition increases, possible MUS and Montana State University (MSU) funding reallocations, and possible Board of Regent initiatives including performance funding were added to the scenario as they became known.

After applying the agreed upon conservative assumptions, the estimated FY 2014 revenue was \$1.8M less than anticipated expenditures. The EBC decided to request from each executive, budget reduction recommendations equal to 1%, 2%, and 3% of budgeted expenditures. This was done for the dual purposes of offsetting the projected revenue gap and creating a pool of dollars to direct toward strategic initiatives.

A web entry database was created to collect budget investment proposals. Requestors completed the form with descriptive and financial information and indicated the alignment of the proposal with a particular initiative in the strategic plan. Investment proposals were reviewed by the EBC and submitted to the University Budget Committee (UBC) for review, comment and recommendations.

The UBC, with representation from all campus constituencies, met in November, February, March, April, and June to receive updates on the developing FY 2015 Biennial budget scenario and to provide comments on investment proposals. After review of the UBC comments, a final set of investments and reductions was approved and implemented.

REVENUES

1. Tuition

The FY14 revenue budget is based on flat enrollment with no resident or WUE tuition rate increases. As part of the College Affordability Plan (CAP) struck between the Board of Regents and the Governor, resident tuition at the University and at City College will remain at FY 2013 rates for 2 years in exchange for Legislative appropriation of adequate state funding to cover fixed cost increases. A modest 3% increase on the nonresident portion of nonresident tuition is included at \$58,000.

The tuition flat spot has been extended from the previous range of 12 – 18 credits to a range of 12 and above credits. This will assist certain students to be financially able to graduate sooner and with less debt. The estimated tuition reduction associated with this change is included in the attached budget summary at \$70,000.

2. State Appropriations

MSUB's total net increase to state appropriations, as detailed in table 1 is \$736K or 3.77%. The Legislature appropriated state funding to cover the vast majority of fixed cost increases such as faculty promotions, risk management insurance and library, utilities, and other inflation. State funding was also received for salary and benefit (including health insurance) increases at approximately 40% of the amount requested. The Legislature did not continue the one time allocation of state funds appropriated in the FY 2013 Biennium budget.

State support was allocated to MUS campuses through a new BOR policy. The state funding was split between UM and MSU based on a three year rolling average resident student FTE. The amount distributed to MSU was then allocated to the various MSU campuses through a formula based on an average of prior years' funding percentages, each campuses' requested fixed cost increases and pay plan allotments, and resident enrollment growth or decline. Because of enrollment declines over the past 2 years, the result of reallocations between UM and MSU and within MSU was a reallocation of \$154.5K from MSUB to other campuses that experienced enrollment growth.

Table 1

Summary of Changes to State Appropriations	FY14 Budget	FY13 Budget	% Change
Base Appropriation	18,765,278	18,894,563	
OTO Supplement		547,999	
1% Employer Retirement Contributions	174,321	117,247	
Legislative Audit Appropriation	86,431		
State portion of Fixed Costs	797,330		
State Portion of Salary/Benefit Increases	627,399		
MUS/MSU Base Reallocation based on Enrollment	(154,481)		
Total	20,296,278	19,559,809	3.77%

3. Transfers from Reserves

The revenue estimate includes transfers from Designated Fund reserves of \$551K. Through the use of reserves, the Graduate Assistant budget was enhanced by \$56K and a budget for targeted scholarships was added. The budget also includes provision for the annual transfer of an estimated \$200K from the Retirement Reserve to cover termination benefits for current year retirements.

Because enrollment enhancement is a goal of the University, as established in the MSUB Future Strategic Plan, it was determined a new, more robust emphasis on recruitment and marketing is necessary to help MSUB begin to see enrollment growth. Also of note, beginning in FY 2015, a portion of the MUS state appropriation will be allocated based on campus achievement of specific performance metrics related to student degree completion and student retention.

In alignment with campus strategic initiatives, and to meet the objectives of the new performance funding model, MSUB will deploy a portion of its Designated Enrollment Contingency Reserve to fund specific recruitment and retention initiatives. In each of the next two fiscal years, \$151,000 will be used to boost recruitment of first time freshman and transfer students through additional face to face contacts and additional focused marketing efforts.

BUDGETED EXPENDITURES

1. Beginning Base Budget Changes

The FY 2013 Operating budget included temporary budget allocations of \$200K for scholarships, \$200K for a plant maintenance project, and \$64K for biennial audit costs. These one-time budget allocations were eliminated from the base budget.

2. Fixed Costs and Salary and Benefit Reserves

Fixed cost increases totaling \$1,642K are included in the FY 2014 budget. Fixed costs include estimated salary and benefit increases, faculty promotions, legislative audit costs, risk management insurance premium increases and library, utilities and other inflation. The FY 2014 budget includes a health insurance increase of 10% and the cost of an estimated salary increase of 2% plus \$500 per year. Collective bargaining with various units will determine actual salary increases.

3. New Investments

The primary new investments to advance strategic initiatives include:

- Faculty positions to serve students in growth areas:
 - 1.00 Assistant/Associate Professor, Rehabilitation and Human Services
 - 1.00 Assistant Professor, Special Education
 - 1.00 Adjunct Faculty, Pre-engineering

- Staff positions to enhance recruitment and extension efforts, to add value to the student experience, and to maintain compliance:
 - 1.00 Adult Learning Specialist
 - 0.50 MSUB Extended Campus Marketing Coordinator
 - 0.50 International Studies Study Abroad Programmer
 - 1.00 Office of Community Involvement Coordinator
 - 0.50 Coordinator of Athletic Compliance
- Operations investment in human capital: Faculty Professional Development

4. Budget Reallocations and Reductions

As stated in the description of the budget development process, for the dual purposes of offsetting the projected revenue gap and creating a pool of dollars to direct toward strategic initiatives, budget reductions and reallocations totaling \$994K were enacted. Difficult decisions were made to create opportunities for new investments and to ensure a balanced budget.

The major FY 2014 budget reductions and reallocations include:

- Faculty budgets reallocated to growth areas:
 - 1.50 College of Arts and Sciences
 - 0.50 College of Business
 - 1.00 City College
 - 0.50 College of Education
 - Two Post Retirement Faculty slots
 - Reduce Part time Faculty Pool and Reallocate Centralized Faculty Salary Salvage
- Staff budgets eliminated or assigned to other funding sources:
 - 2.00 FTE Student Services
 - 0.38 FTE College of Business Director
 - 0.50 FTE MSUB Extended Campus
 - Reallocate Centralized Staff Salary Salvage
- Operations budgets reduced or reallocated
 - FY 2013 Strategic Investment Pool
 - Utilities, Information Technology, Supplies and Materials, Communications, Travel, etc.

5. Expenditures by Program

The result of budget decisions (per the budget metrics reported to the Board of Regents) is an increase in the percentage of the budget allocated to the instruction program from 47% of FY 2013 actual expenses to 48.3% of the FY 2014 budget. The goal remains at 50%. The total percentage allocated to Instruction, Academic Support and Student Services increased from 68.3% of FY 2013 actual expenses to 69.1% of the FY 2014 budget. The goal remains at 70%.