

MSU Billings

FY 2013 and FY 2014 Budget Outlook

February 16, 2012

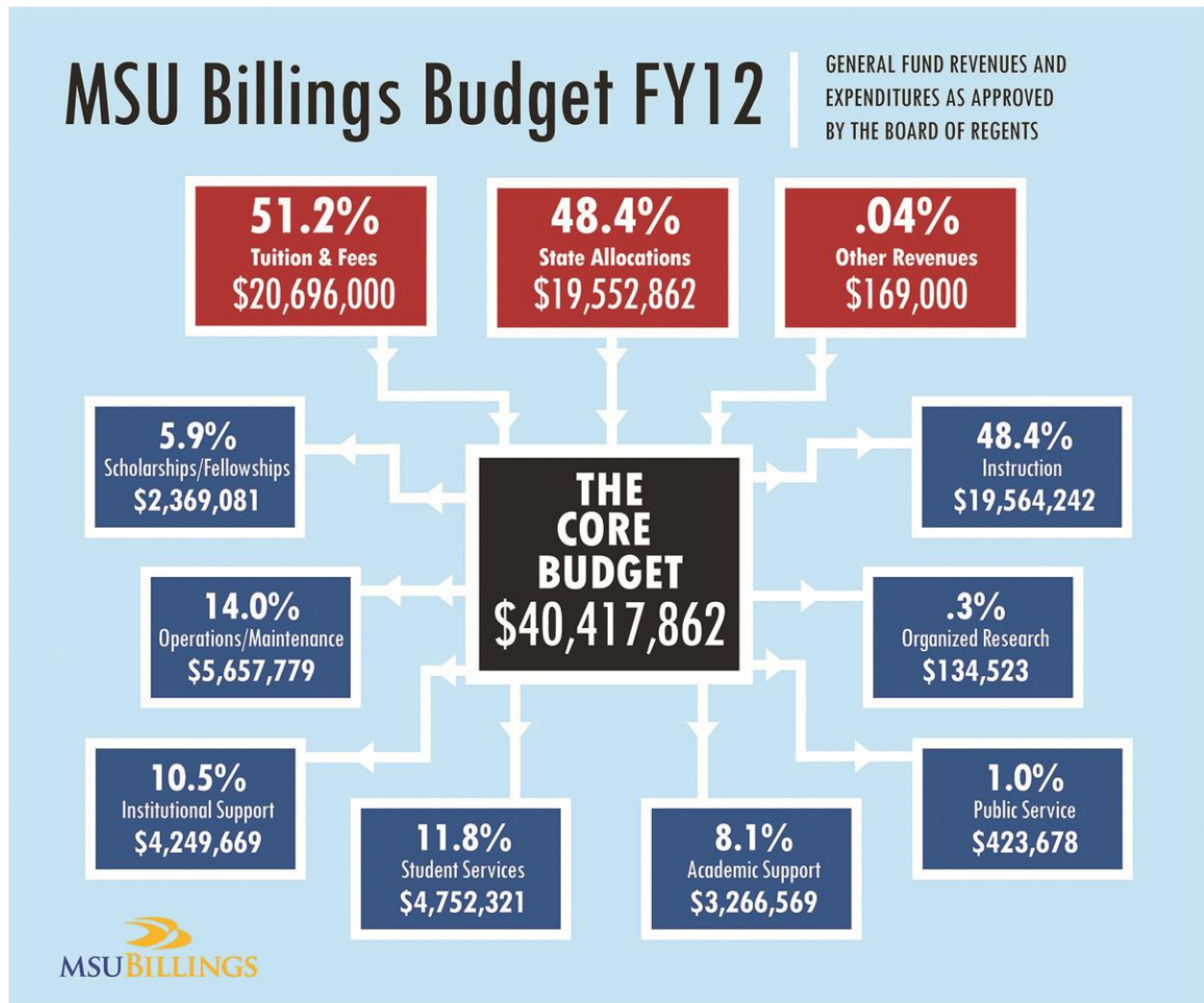
MSU Billings Colleagues:

In this document you will find information related to the development of the Fiscal Year 2013 and Fiscal Year 2014 budgets for Montana State University Billings. It is intended to keep you as well informed as possible as the university plans for the next budget year (which begins July 1, 2012) and beyond.

First, here are a few notes explaining major items that have and continue to impact the general operating budget:

- 1) In development of the current year's budget (FY12) several **reserves were internally reallocated** to strategically fund needed positions.
- 2) **Stimulus money does not last forever:** Remember the 2009 Legislature? That session saw an influx of one-time-only (OTO) funding from the federal stimulus plan that helped keep the Montana University System budget at current levels for the 2009-11 biennium. OTO funds were again appropriated in the 2011-13 biennium. State and system analysts tell us the one time money will be going away for the FY14 budget. For MSU Billings that amounts to almost \$600,000 annually; discussions will take place at various levels before the next legislative session to determine how to best deal with that shortfall and develop strategies to move forward.
- 3) **Reallocation of state support:** A few years ago, state education leaders underwent a process of reallocating state support within the Montana University System. The reallocation was necessary because enrollment within the University of Montana family grew faster than in the MSU family. As a result, the state allocation was adjusted accordingly for fiscal years 12, 13, and 14. For MSU Billings, our estimated FY14 reduction will be about \$450,000.

- 4) As many of you already know, the university's general fund budget is made up of tuition and state funds. Below you will find a chart of the current (FY12) general fund revenues and expenditures to illustrate where the funds come from and how they are used. ***(Please note this chart does not include other revenue and expenses that are not state supported or may be self-funded through other means – such as auxiliaries or grant-funded projects.)***



What follows is information that explains the assumptions that were used in the scenarios presented in the attached budget planning document.

STUDENT FTE ENROLLMENT

30 undergraduate student credit hours equal 1 full time equivalent (FTE) student; 24 graduate student credit hours equal 1 fulltime equivalent (FTE) student

- The current baseline student FTE is the FY12 enrollment level of 4,473 FTE.
- It is assumed student FTE will remain constant from the current FY12 level into FY13 and FY 14.
- The FY13 and FY14 FTE projections may be adjusted (up or down) at a later date to reflect application and matriculation data for Fall 2012.

STUDENT TUITION & UNRESTRICTED FEES

(Revenues associated with student enrollment, that support the University's general operating budget)

- It is assumed student enrollment will remain constant from FY12 to FY13 to FY14 with little or no change in the mix of students (resident vs. nonresident; graduate vs. undergraduate; two-year vs. four-year students).
- The FY13 estimated tuition collections are based on the FY12 actual collections plus a 5% tuition rate increase for students in four-year and graduate programs.
- The scenarios include an estimated \$305,000 in excess FY12 tuition collections above the original budgeted amount. The **excess tuition collections are directly related to the intentional increase in nonresident enrollment through recruitment of international students**. The excess collections are assumed to continue into FY13 and FY14.
- The FY13 and FY14 tuition estimates may be adjusted at a later date to reflect application and matriculation data for Fall 2012.
- The current scenario does not include a tuition rate increase for FY14; the allowable rate will be set by the Montana University System Board of Regents in April/May 2013.
 - A 1% increase at the East campus is estimated at \$182,500 annually.
 - A 1% increase at the COT is estimated at \$31,500 annually.

STATE SUPPORT AND STATEWIDE MILL LEVY COLLECTION

- FY13 is the second year of the biennium (it starts on July 1, 2012) and therefore the state support amount is set.
- The FY12 and FY13 state support amounts include a one-time-only state allocation approved by the 2011 Legislature.
- The FY14 state support estimate includes discontinuation of the one-time-only funding to MSU Billings in the amount of \$590,598.
- The FY14 state support estimate includes a potential reduction of \$451,067 due to the third year reallocation of state support within the University System based on changes in FTE enrollment across the system.
- The **total** potential loss of state support for MSU Billings in FY14 is \$1,041,665.
- How will this loss of state funding be offset? Some possibilities include:
 - Appropriation of "permanent" funds by the Montana Legislature to replace the one-time-only funds.
 - A change in the scheduled MUS internal reallocation.
 - Implementation of budget reductions.
 - BOR approval of an adequate tuition increase to minimize the negative impact of the estimated general fund reduction.
 - A combination of any of the above.

EXPENDITURE BUDGET

- The FY13 beginning expenditure budget equals the FY12 operating budget adjusted for the elimination of FY12 temporary additions/reductions.
- Additions to the FY13 budget include salary and benefit increases, faculty promotions, and fixed cost increases (insurance, IT, library, utilities and other inflationary increases).
- FY13 investments, in the form of faculty and staff positions and any resulting budget reallocations are currently under development by the Executive Budget Committee and will soon be under consideration by the University Budget Committee. **See Attached process document.**
- Known investments include
 - Commissions & Scholarships associated with International Students – **permanent budget item to be assigned against increased nonresident tuition collections.**
 - Faculty Professional Development – temporary budget item
 - Academic Support Center (ASC) - **The ASC is moving into renovated space in the Student Union building, a non-state supported auxiliary building.** The ASC fee revenue will be redirected to pay rent to Student Union operations. ASC instructional salaries currently funded from the ASC fee revenue will be funded from the General fund beginning in FY13.
- Estimated pay increases or fixed cost increases have not been included in the scenario for the FY14 budget. Salary and other fixed costs increases are set through the State and University System biennial budget processes and funded through a combination of state funding and tuition rate increases.

NET REVENUE SURPLUS/(DEFICIT)

- The estimated FY12 surplus will be allocated to one-time-only FY12 budget needs.
- The estimated FY13 surplus will be allocated to strategic investments through the budget process.
 - **Note:** Any new base budget allocations implemented in FY 13 will increase the projected FY14 deficit.
- The estimated FY14 deficit will be adjusted after FY13 budget decisions are made. The resulting deficit (gap between estimated revenues and expenses) will need to be offset with FY14 revenue increases or budget reductions.

For clarification or more information, contact Trudy Collins, University Budget Director, at tcollins@msubillings.edu or at 657-1680.