Budget Model Discussion

Open Forums - October 27th and 30th, 2015
Introduction & Overview

• Current Budget Model
  • History and Mystery
  • Total Revenues = State Appropriation + Tuition & Fee Revenues
  • Expenditure Budgets: Base Plus (or minus)
    • Last year +/- change in revenues

• Update MSU Budget Process Working group has developed a proposed model

• Campus feedback is important in moving the process forward

• Goal is to implement new model for FY17
People Involved

• Update MSU Budget Process Working Group
  • Nancy Cornwell, Director of Special Projects in University Communications
  • Chris Fastnow, Director of Planning & Analysis
  • Jeff Heys, Department Head in Chemical & Biological Engineering
  • Terry Leist, Vice President of Administration & Finance
  • Doralyn Rossmann, Assoc. Professor in Library & Faculty Senate Representative
  • Leslie Schmidt, Assistant Vice President for Research

• Budget Office – Project support and research
Review and Input Received From:

• Budget Council – August 18\textsuperscript{th} and October 23\textsuperscript{rd}
• Dean’s Council – September 8\textsuperscript{th}
• President’s Executive Council – September 29\textsuperscript{th}
• Faculty Leadership – October 14\textsuperscript{th}
• Upcoming: Planning Council ; Faculty Senate
Desired Outcomes

• Provide resources for strategic priorities
• Provide transparency
• Provide incentives to reward progress toward MSU’s strategic priorities
• Be dynamic, flexible and predictable
• Provide adequate time for planning
• Respond to change
• Enable effective decision-making at the appropriate organizational levels
Total Allocation – 6 Buckets

- Academic Affairs
- Administrative
- Facilities
- Institutional Costs
- Strategic Pools
- Units Outside Model
Units Outside of the Model

• Includes:
  • Gallatin College
  • Summer Session
  • Extended University - only in FY17
  • PBS Legislative Appropriation
  • Vet Med Legislative Appropriation
  • WWAMI Legislative Appropriation
  • Benefit Pools
  • Tuition Waivers
# Formula Matrix

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<thead>
<tr>
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<th>Instructional/Instr Support Formula</th>
<th>Administrative Formula</th>
<th>Admin Student Support Formula</th>
<th>Facilities Formula</th>
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<td><strong>Academic Affairs (AA)</strong></td>
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<td>Colleges w/ Majors</td>
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<td>Student Success</td>
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<td><strong>Strategic Pools</strong></td>
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Instructional/Instructional Support Formula

\[
TT \text{ Salaries} + \text{Other Instructional Salaries} + \text{Student Support} + \text{Operating} \\
\frac{\text{Forecasted SCH}}{\text{Benchmark SCH per instructor type}} \times OSU \text{ Benchmark Salaries}
\]

NOTE: Forecasted SCH is weighted for Undergrad and Grad differences
Instructional/Instructional Support Formula

TT Salaries + Other Instructional Salaries + Student Support + Operating

Total Majors \times \text{Support Cost per Major}

Note: Support cost per major could be based on the current MSU average, a national benchmarks if it can be found, or something brilliant suggested by the audience.
Instructional/Instructional Support Formula

\[
 TT \text{ Salaries} + \text{Other Instructional Salaries} + \text{Student Support} + \text{Operating}
\]

\[
\frac{\text{Total Forecasted SCH}}{\text{Total Benchmark SCH}} \times \text{Operating Cost per FTE}
\]
Administrative Formula

• National benchmarks will be utilized when possible

\[ Total = \text{Current Budgeted Salaries} + \text{Operating} \]

\[ \text{Operating} = \left( \frac{\text{Budgeted Salaries}}{\text{Average Salary}} \right) \times \text{Weighted Operating Cost per FTE} \]
Administrative Student Support Formula

- National benchmarks will be utilized when possible
- Support for areas impacted by student growth

\[
\text{Admin Student Support} = (\text{Current Headcount} - 3\text{yr Avg Headcount}) \times \text{Support per Headcount}
\]
Facilities Formula

- Facilities Cost per Square Footage can be calculated using a percentage of national benchmarks

\[
\text{Allocation} = \text{Benchmarked Cost per Sq Ft} \times \text{Total Building Sq Ft}
\]

NOTE: Total Building Sq Ft is limited to General Fund Buildings
Institutional Costs

• Costs the university must pay for but can strive to minimize (except salary items)
• These costs will be reviewed on an annual basis

Currently Includes:

- Insurance
- Utilities
- IT Software & Hardware
- Credit Card Processing
- Bad Debt Expense
- Hazardous Waste Disposal
- Commencement
- Foundation MOU
- Legislative Audit
- Litigation
- Convocation
- Library Acquisitions
- Off Campus Rent
- Overhead
- Service Bureau
- Warrant Writing
- Institutional Memberships
- University Reserves
- Pay Plan Pool
- Promotion/Market/Merit Pool
Strategic Pools

• Purpose is to provide funding for investments that align with the strategic plan.
  • Long term investments to the strategic plan
  • Priorities recommended by Planning Council
  • Performance funding, Incentive pools, etc.

• Potential options to consider:
  • Allocate first as a percentage of the total budget
  • Allocate first as a flat dollar amount
Overall Model Recommendations

• Allocate to the Division Level

• Integration of both student credit hours and majors into Instructional/Instructional Support calculation

• Institutional Costs will be allocated before any other calculation

• Management of expenditures are still required as a budget model cannot replace human decision-making
Budget Process

• Timeline aligned with Planning process and annual priority setting
• Ready for initial review by Vice Presidents around December 1st
• The process for budget allocations to individual colleges, units and non-academic departments will be determined by Vice Presidents
  • Results of model are a “Benchmarked” budget and are intended to move the university in the right direction
  • Changes will require a phased-in approach
  • Accreditation requirements need to be considered
Questions?

If you have additional questions or suggestions after today’s meeting, please contact Kathy Attebury at attebury@montana.edu or ext. 4391.