February 1, 2012

TO: MSU Campus

FR: Terry Leist, Interim Vice President for Administration & Finance

RE: FY2012 Budget Enhancements

I would like to share with you some information about MSU’s (general fund) budgets. As you are aware, our student enrollments increased again this year and we now feel confident about the corresponding revenues. For Fiscal Year (FY) 2012 (ending June 30, 2012), MSU’s tuition revenues are expected to exceed the amount currently allocated to campus departments by $4.2 million. Approximately $3 million of this came from Fall 2011/Spring 2012 enrollment growth. The remaining $1.2 million (less than 1 percent of our general fund budget) was being held as a contingency in case our enrollment projections did not materialize.

In response to these funds being available, MSU’s Budget Council recently made recommendations to President Cruzado which resulted in the following budgetary adjustments being approved:

a) $1.5 million will be used for access/ADA and classroom renovation projects. These funds will be combined with an equal amount of reserve funds, set aside in previous years, to provide a total of $3.0 million for access and classroom projects. The Classroom Committee has provided input into which classrooms will be renovated. Provost Potvin and the academic deans are currently reviewing those recommendations.

b) $1.5 million in base funding will be allocated to academic programs. Depending on how these funds are used, the net funding may be adjusted for associated benefits costs. The provost, with input from the deans, will determine how these funds will be allocated to departments.

c) The remaining $1.2 million (dependent upon spring 2012 enrollment revenues) will be used for funding consideration of strategic investments, based on the Budget Council’s call earlier in the academic year for investment proposals from the campus community. Those proposals have been received and are now being reviewed. Benefits are also included in this figure, so the net amount will be somewhat less, depending on the proposal expenditures funded.

Item (b) above will help push the level of spending on instruction toward the Montana University System (MUS) goal of at least 50 percent of a campus’ general fund expenditures. The $1.5 million will increase MSU’s spending on instruction from 47.6 percent to 48.2 percent. Although this is still below the 50 percent target, the Budget Council expects that investment proposals which receive funding will be weighted toward instruction.
The budget changes described above are in addition to the increases in the original FY2012 base budget, compared to FY2011. The following summarizes the cumulative FY2012 budget enhancements over FY2011, including items (a), (b) and (c) above.

i. Academic Affairs now has more than $3 million in new base funding (including benefits) compared to FY2011, in addition to $600,000 in one-time-only funding.

ii. Student Success has received more than $140,000 in new base funding (including benefits), in addition to nearly $435,000 in one-time-only funding to accommodate the impact of enrollment growth on student services and for investments in recruiting.

iii. Approximately $1.2 million has been earmarked for strategic investment ideas provided by the campus community via the Budget Council’s investment proposal process.

iv. Base funding for library acquisitions was increased $303,351 based on inflationary costs.

v. Other fixed costs required $518,236 more funding in FY2012 than the previous year. This included increases for IT hardware and software maintenance contracts, utilities, operations and maintenance costs, and property and liability insurance costs.

vi. Base funding was added to respective departmental budgets for faculty merit and promotion salary increases, as well as classified longevity increases. Combined, these totaled $369,460.

vii. Scholarships for Montana resident students were enhanced by $500,000 for FY2012. This allowed MSU to significantly expand its pool of available scholarships to Montana students to help them achieve their higher education goals.

viii. Additionally, salary increases (1 percent plus $500) for most faculty and staff required additional general funds of approximately $1.9 million. These funds were provided directly to departments and are not included in the figures listed above. Please note that these salary increases were made possible by the student supported tuition increases.

I would like to thank you for your contributions to our university. You do a great job providing value to our students and constituents, despite limited resources compared to similar institutions. We are fortunate to have healthy enrollment and corresponding revenues at this time, which is a reflection of your efforts to make Montana State University a great choice for students.

If you have any questions, please contact Kathy Attebury, Budget Director, at attebury@montana.edu or 994-4391.