A Budget Briefing for UPBAC

In recent weeks some employees have requested an explanation of why MSU is going through a process of reviewing expenses and exploring budget reductions. The following is an example of the questions being asked: “We just heard a report about a record enrollment, we have increased our research dollars every year including this year, and Montana has a budget surplus. How, with all of these main sources of income going in our favor, did we end up backwards?”

The simple answer is, we aren’t worried about today, but are planning for tomorrow. Current discussions of UPBAC and its ad hoc Workgroup are focused almost entirely on future budget challenges, and what actions we should take today in order to best position us to manage our challenges in the future – that is, for the FY12 – FY13 biennium.

FY10 – FY11 General Operations Budget

The focus of UPBAC’s responsibilities is primarily the University’s General Operations budget, which includes our instructional and related support activities that are funded entirely with State appropriations and tuition revenues. Research dollars are not used to fund our General Operations budget.

For FY10 MSU has experienced an unanticipated surge in enrollment and revenues.

- Last Spring MSU finalized a General Operations budget that was based upon a fiscal year enrollment of 10,325 FTE students and tuition revenues totaling $68.4 million.
- To balance that budget, UPBAC had to reduce the Base expenditures in our General Operations budget by $1.0 million.
- This Fall our enrollment was 459 FTE greater than our original budget target.
- Given this, it is very likely that our tuition revenues will total $2.0 million more than originally budgeted.

The sustainability of this surge in enrollment is uncertain; and, MSU has much work to do to analyze the detailed demographics of our new students. However, it is very likely that our FY11 enrollment and tuition revenues will be greater than our original estimates.

FY12 – FY13 Challenges

Although MSU’s economic picture looks strong for the current biennium, in the next biennium we expect one significant loss of State funding, and must prepare for at least one other.

The University System’s budget for our current biennium includes $17.6 million of Federal Stimulus Funds that we have been told the Governor does not intend to “backfill” with State funds in the next biennium; and, the Regents have said that they will not support a tuition rate increase to generate revenues for this purpose. So, beginning with MSU’s FY12 budget, we will have nearly $3.0 million less in State funding.

The State’s overall budget for this biennium was based on a set of revenue projections that anticipated a slight decline (from FY09) in total revenues, and utilized a significant amount of Federal Stimulus dollars for Base budget commitments. For the first quarter of our new fiscal year however, State revenues are down significantly. OCHE staff have advised us that the State budget anticipated a decline of about $7.0 million for this quarter, but recorded a decline of $75.0 million, which is over 25% of the State’s projected $282.0 million budget surplus.

If this decline in State revenues continues into succeeding quarters, this will jeopardize the continuation of MSU’s current level of Base State funding into the FY12 biennium.