



Joint Subcommittee On Postsecondary Education Policy and Budget

60TH Montana Legislature

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2011 BIENNIUM BUDGET AND ACCOUNTABILITY

SEPTEMBER 4, 2008

During the 2005-2006 interim of the legislature, the PEPB reviewed and considered the initial budget request submitted by the Board of Regents for the Montana University System (MUS) for the 2009 biennium. The purpose of that review was to give PEPB the opportunity to submit funding recommendations to the Governor at the outset of the executive planning process (EPP) and to consider accountability/performance measures related to specific budget initiatives. At the September 25, 2007 meeting, PEPB requested that staff repeat this budget and accountability process during this interim for the 2011 biennium budget.

As a result of this committee request, at the June 2008 PEPB meeting, the committee reviewed and considered the initial budget request submitted by the Board of Regents for the Montana University System (MUS) for the 2011 biennium. Again, the purpose of that review was to give PEPB the opportunity to submit funding recommendations to the Governor and to consider accountability/performance measures related to specific budget initiatives. PEPB deferred action on funding recommendations or accountability/performance measures until the September 2008 meeting.

This report highlights the two budget issues PEPB requested be brought to the September 2008 meeting for continued discussion and action:

1. Does PEPB want to recommend to the Governor that sufficient funds be included in the 2011 Biennium Executive Budget to continue the College Affordability Plan (CAP)?
2. Does PEPB want to recommend accountability/performance measures from the shared policy goals document as part of funding recommendations for specific new initiatives? If so, how should this be operationalized? (i.e. letter to Governor, companion bill, interim reporting)

In addition to the two budget issues, this report also includes background information on the state budget process that culminates in a legislative appropriation for the MUS. Appendix A briefly describes that process.

COLLEGE AFFORDABILITY PLAN

The 2007 Legislature adopted the CAP proposal included in the 2009 Biennium Executive Budget. The goal of the CAP was to “provide the university system funding for the 2009 biennium that results in a zero tuition increase for Montana resident students....for the 2009 biennium.” The basis for the CAP was an agreement between the executive and the Board of Regents upon an overall present law budget for the university educational units and the executive’s recommendation for a sufficient level of funding for that present law budget that would eliminate the need for tuition increases in each year of the 2009 biennium. After agreeing upon a present law expenditure level, the executive recommended state funds support 84.7 percent of those expenditures. This percentage was the ratio of total FTE students at the university educational units who are Montana resident students or regional exchange students participating in the Western Regional Undergraduate Exchange (WUE) program. The CAP also included pay plan and actuarial funding for the PERS and TRS retirement systems at the 84.7 percent state share level.

In preparation for the 2011 biennium budget cycle, the Montana University System has prepared a “Present Law Plus Pay Plan Budget Estimate”, using the same general CAP themes used in the 2009 biennium. This estimate was presented at the June 2008 PEPB meeting by the Montana University System. The MUS has estimated the total present law and pay plan cost for the eight campuses of the university system to be \$62.7 million in the 2011 biennium.¹ The state’s share, which is based upon the portion of Montana resident students and WUE students to total students served, is estimated to be \$52.1 million, and the remaining \$10.6 million would be funded primarily from non-resident tuition.

Cap or No Cap?

In June 2008, the PEPB deferred action on any CAP funding recommendation – for or against – until the September 2008 meeting at the June 2008 PEPB meeting. PEPB options include:

- Recommend to the Interim Education and Local Government Committee (ELG) support for continuation of the CAP in the 2011 biennium and recommend that this support be communicated through a letter to the Governor
- Make no recommendation

ACCOUNTABILITY AND PERFORMANCE MEASURES

By the time the PEPB meets for its September 4, 2008 meeting, the Montana University System will have submitted its initial 2011 biennial budget request to the Governor’s Office of Budget and Program Planning. By statute, the executive has until November 15 to release a preliminary budget and December 15 to amend the preliminary budget (and even longer if there is a governor-elect). Consequently, the Governor’s recommendations for 2011 biennium present law adjustments and new proposals (initiatives) will not be known until later in the fall.

This timing issue presents an opportunity for the PEPB, if it so desires, to recommend to the Governor support for specific initiatives requested by the Montana University System and/or recommend

¹ Although technically funded from two separate appropriation bills, for purposes of simplicity in this discussion, the estimated pay plan costs for the 2011 biennium are included in this present law cost estimate.

accountability/performance measures for one or more of the requested initiatives if the initiative is included in the 2011 Biennium Executive Budget.

Other options available to the PEPB if it is interested in recommending accountability/performance measures from the shared policy goals document for one or more of the new initiatives included in the 2011 biennium MUS budget request, include:

- Identify shared policy goals and accountability measures, approved by PEPB that could be included in the HB 2 budget process as part of funding for specific new initiatives. The means to operationalize this may include:
 - A companion bill to HB 2, requested by an individual legislator rather than the PEPB or ELG (as the September 2008 meeting is the final meeting of the PEPB and ELG for this interim), that would include specific reporting requirements by the MUS to an interim committee of the legislature as a means of accountability to achieve specific performance measures by specific dates
 - A letter from the PEPB or ELG to the members of the House Appropriations Committee and Senate Finance Committee of the 61st Legislature recommending specific reporting requirements by the MUS to an interim committee of the legislature as a means of accountability to achieve specific performance measures by specific dates

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APPENDIX A – STATE BUDGET PROCESS

The state budget process for HB 2 is primarily founded upon a “*base plus*” model so that building the total budget consists of adding together the following three components:

1. Base year expenditures, excluding one-time-only program costs and other expenditures that are not ongoing (note: the base year for the 2011 biennium will be FY 2008)
2. Present law adjustments, which include inflation and fixed cost adjustments as well as increases driven by growing caseload or enrollment
3. New proposals, which are initiatives for new programs or significant expansion of existing programs

Therefore, the budget model may be illustrated as: ***Base + Present Law + New Initiatives = HB 2 Budget***

Separate from the HB 2 budget, the state pay plan, typically HB 13 is also a significant portion of the budget building process in state government and particularly for the MUS budget. The pay plan bill essentially funds the “present law adjustments” that are specific to personal services, as it reflects the increased costs of annual salary adjustments as well as cost increases to health insurance and retirement related benefits going into the subsequent biennium. The pay plan bill is considered separately from HB 2 as it accounts for collective bargaining labor agreements that apply to a number of bargaining units across state government.

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