



Joint Subcommittee On Postsecondary Education Policy and Budget

60TH Montana Legislature

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2011 BIENNIUM BUDGET AND ACCOUNTABILITY

JUNE 12, 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.

This report is intended to provide a brief background review of the state budget process and correlate that process to the PEPB shared policy goals and accountability measures, as members begin to review the initial budget submission from the Board of Regents for the 2011 biennium.

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 13 as it accounts for collective bargaining labor agreements that apply to a number of bargaining units across state government.

At the Board of Regents meeting on May 30, 2008, the Regents approved a preliminary budget submission for the EPP that will be presented to PEPB members on June 12, 2008. The budget presentation will likely be organized as follows:

- Present Law Adjustments
 - Educational Units – this will include all of the projected cost increases for the eight campuses of the university system that, if funded in full by state general fund, would provide the opportunity to once again freeze resident student tuition rates
 - Public Service/Research Agencies – this will include cost adjustments for these agency programs (Agriculture Experiment Station, Extension Service, Bureau of Mines and Geology, Forest Conservation Experiment Station, and Fire Services Training School)
- Pay Plan Bill assumptions and projected costs of the 2011 biennium pay plan
- New Proposals
 - Systemwide Initiatives – this will include new programs or program expansion that involve multiple campuses or that addresses student educational needs without regard to location
 - Campus-based Initiatives – this will include new programs or program expansion that is specific to a particular campus, including community colleges
 - Public Service/Research Agency Initiatives – this will include new programs or program expansion that is specific to a particular public service/research agency
- Long Range Building Program (LRBP) proposals – this will include a prioritized list of new building or building renovation capital projects across the university system. The LRBP may include both a cash as well as a bonding component and is not part of HB 2

In addition to the above, two components of the MUS budget that will not be addressed at this time include the general fund budget for the community colleges, which is based upon a formula proscribed in statute and will be calculated after the close of the base year, FY 2008, and the general fund assistance to support non-beneficiary students attending the federal tribal colleges in Montana.

LEGISLATIVE OPTIONS

At the conclusion of the report and presentation of the initial budget submission for the MUS for the 2011 biennium, the PEPB may want to consider the following options:

- Recommend to the Interim Education and Local Government Committee (ELG) support for one or more specific components of the MUS budget for the 2011 biennium and recommend that this support be communicated through a letter to the Governor
- Do nothing at this time

In addition to options for making specific budget recommendations to the executive, if the PEPB is interested in recommending accountability/performance measures from the shared policy goals document as part of funding recommendations for specific new initiatives in the 2011 biennium budget, PEPB may want to consider the following options:

- Request staff to work with the Office of the Commissioner of Higher Education to 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 that utilizes one of the following accountability mechanisms:

- Companion bill that would include specific reporting requirements by the MUS to an interim committees of the legislature as a means of accountability to achieve specific performance measures by specific dates
- Companion bill that would create authority for interim budget changes whereby one-time-only (OTO) HB 2 appropriations could become ongoing and rollover into the subsequent biennium base-budget, as long as specific accountability measures are completed by a specified date and demonstrated to an interim committee of the legislature
- Companion bill that would create authority for contingency funding, whereby second year funding in HB 2 for the biennium would only be released contingent upon the completion and demonstration of accountability performance measures by a specified date to an interim committee of the legislature

Submitted by:

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